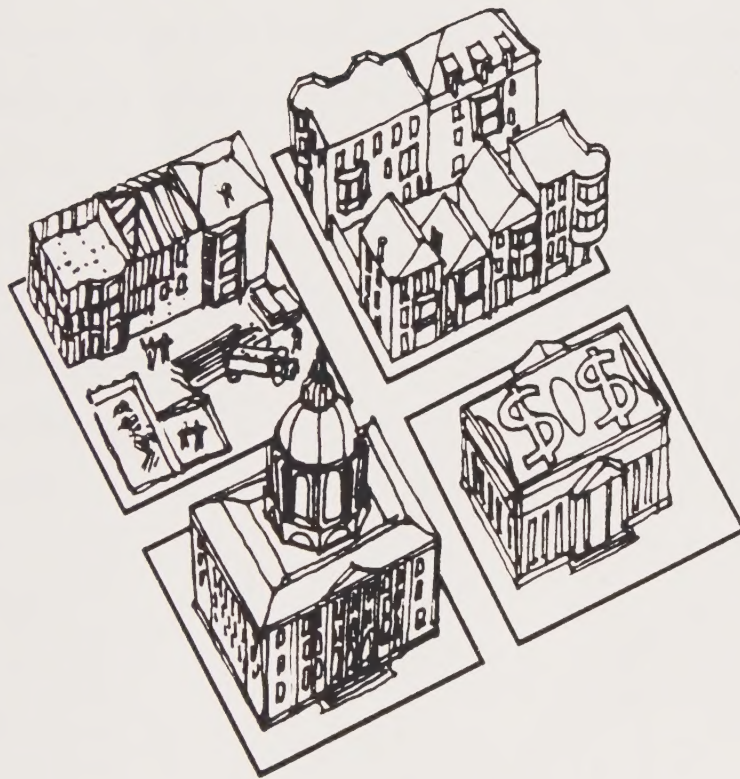


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An Affordable Housing Action Plan for San Francisco

Mayor's Housing Advisory Committee Draft Report May 12, 1989



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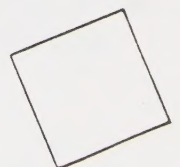
TABLE OF CONTENTS

I. THE MAYOR'S HOUSING ADVISORY COMMITTEE.....	1
II. OUTLINE OF THE REPORT STRUCTURE.....	7
III. EXECUTIVE SUMMARY.....	11
IV. REPORT	
1. Introduction.....	27
2. Failure of National Housing Policies and Programs.....	28
3. Summary of Local Housing Problem.....	29
4. Current and Future Housing Requirements.....	29
5. Key Findings.....	36
6. Recommendations for a Comprehensive Housing Action Plan..	39
7. Implementation.....	68
8. Conclusion.....	70
V. APPENDIX	73

TABLE 1. SUMMARY OF CONTENTS

1. INTRODUCTION	1
2. THE STATE'S ECONOMIC POLICY	2
3. THE STATE'S ECONOMIC POLICY	3
4. THE STATE'S ECONOMIC POLICY	4
5. THE STATE'S ECONOMIC POLICY	5
6. THE STATE'S ECONOMIC POLICY	6
7. THE STATE'S ECONOMIC POLICY	7
8. THE STATE'S ECONOMIC POLICY	8
9. THE STATE'S ECONOMIC POLICY	9
10. THE STATE'S ECONOMIC POLICY	10
11. THE STATE'S ECONOMIC POLICY	11
12. THE STATE'S ECONOMIC POLICY	12
13. THE STATE'S ECONOMIC POLICY	13
14. THE STATE'S ECONOMIC POLICY	14
15. THE STATE'S ECONOMIC POLICY	15
16. THE STATE'S ECONOMIC POLICY	16
17. THE STATE'S ECONOMIC POLICY	17
18. THE STATE'S ECONOMIC POLICY	18
19. THE STATE'S ECONOMIC POLICY	19
20. THE STATE'S ECONOMIC POLICY	20
21. THE STATE'S ECONOMIC POLICY	21
22. THE STATE'S ECONOMIC POLICY	22
23. THE STATE'S ECONOMIC POLICY	23
24. THE STATE'S ECONOMIC POLICY	24
25. THE STATE'S ECONOMIC POLICY	25
26. THE STATE'S ECONOMIC POLICY	26
27. THE STATE'S ECONOMIC POLICY	27
28. THE STATE'S ECONOMIC POLICY	28
29. THE STATE'S ECONOMIC POLICY	29
30. THE STATE'S ECONOMIC POLICY	30
31. THE STATE'S ECONOMIC POLICY	31
32. THE STATE'S ECONOMIC POLICY	32
33. THE STATE'S ECONOMIC POLICY	33
34. THE STATE'S ECONOMIC POLICY	34
35. THE STATE'S ECONOMIC POLICY	35
36. THE STATE'S ECONOMIC POLICY	36
37. THE STATE'S ECONOMIC POLICY	37
38. THE STATE'S ECONOMIC POLICY	38
39. THE STATE'S ECONOMIC POLICY	39
40. THE STATE'S ECONOMIC POLICY	40
41. THE STATE'S ECONOMIC POLICY	41
42. THE STATE'S ECONOMIC POLICY	42
43. THE STATE'S ECONOMIC POLICY	43
44. THE STATE'S ECONOMIC POLICY	44
45. THE STATE'S ECONOMIC POLICY	45
46. THE STATE'S ECONOMIC POLICY	46
47. THE STATE'S ECONOMIC POLICY	47
48. THE STATE'S ECONOMIC POLICY	48
49. THE STATE'S ECONOMIC POLICY	49
50. THE STATE'S ECONOMIC POLICY	50
51. THE STATE'S ECONOMIC POLICY	51
52. THE STATE'S ECONOMIC POLICY	52
53. THE STATE'S ECONOMIC POLICY	53
54. THE STATE'S ECONOMIC POLICY	54
55. THE STATE'S ECONOMIC POLICY	55
56. THE STATE'S ECONOMIC POLICY	56
57. THE STATE'S ECONOMIC POLICY	57
58. THE STATE'S ECONOMIC POLICY	58
59. THE STATE'S ECONOMIC POLICY	59
60. THE STATE'S ECONOMIC POLICY	60
61. THE STATE'S ECONOMIC POLICY	61
62. THE STATE'S ECONOMIC POLICY	62
63. THE STATE'S ECONOMIC POLICY	63
64. THE STATE'S ECONOMIC POLICY	64
65. THE STATE'S ECONOMIC POLICY	65
66. THE STATE'S ECONOMIC POLICY	66
67. THE STATE'S ECONOMIC POLICY	67
68. THE STATE'S ECONOMIC POLICY	68
69. THE STATE'S ECONOMIC POLICY	69
70. THE STATE'S ECONOMIC POLICY	70
71. THE STATE'S ECONOMIC POLICY	71
72. THE STATE'S ECONOMIC POLICY	72
73. THE STATE'S ECONOMIC POLICY	73
74. THE STATE'S ECONOMIC POLICY	74
75. THE STATE'S ECONOMIC POLICY	75
76. THE STATE'S ECONOMIC POLICY	76
77. THE STATE'S ECONOMIC POLICY	77
78. THE STATE'S ECONOMIC POLICY	78
79. THE STATE'S ECONOMIC POLICY	79
80. THE STATE'S ECONOMIC POLICY	80
81. THE STATE'S ECONOMIC POLICY	81
82. THE STATE'S ECONOMIC POLICY	82
83. THE STATE'S ECONOMIC POLICY	83
84. THE STATE'S ECONOMIC POLICY	84
85. THE STATE'S ECONOMIC POLICY	85
86. THE STATE'S ECONOMIC POLICY	86
87. THE STATE'S ECONOMIC POLICY	87
88. THE STATE'S ECONOMIC POLICY	88
89. THE STATE'S ECONOMIC POLICY	89
90. THE STATE'S ECONOMIC POLICY	90
91. THE STATE'S ECONOMIC POLICY	91
92. THE STATE'S ECONOMIC POLICY	92
93. THE STATE'S ECONOMIC POLICY	93
94. THE STATE'S ECONOMIC POLICY	94
95. THE STATE'S ECONOMIC POLICY	95
96. THE STATE'S ECONOMIC POLICY	96
97. THE STATE'S ECONOMIC POLICY	97
98. THE STATE'S ECONOMIC POLICY	98
99. THE STATE'S ECONOMIC POLICY	99
100. THE STATE'S ECONOMIC POLICY	100

Mayor's Housing Advisory Committee



Mayer's Housing Advisory Committee



I. THE MAYOR'S HOUSING ADVISORY COMMITTEE

BACKGROUND

The Mayor's Housing Advisory Committee was established by Mayor Art Agnos in November of 1988. The Committee was convened under Bill Witte, Deputy Mayor for Housing and Neighborhoods and instructed to examine the housing problems facing San Francisco, especially for those households earning below the median income. The Committee was comprised of 27 individuals with governmental, private sector, or non-profit experience in the development of affordable housing in San Francisco. Based upon their expertise and perspective, the Committee was asked to make recommendations for changes in housing policy, programs, and implementation, that would make our affordable housing efforts more productive and effective.

The Committee coordinated its work with the Planning Department so as to develop material for public review as part of the revision of the Residence Element of the Master Plan. The Residence Element hearings and workshops will be the primary focus for discussion of the report, although the report includes recommendations for departments and agencies that are not under the direction of the Planning Commission.

The Committee was not intended to represent any particular neighborhood or user group, but to serve the public by performing a comprehensive, technical evaluation, and making recommendations that could then be presented to the public prior to legislative action.

The report from this Committee is intended to be used by the public, including neighborhood groups, housing advocates, environmentalists, and others to fashion a clear vision of the future for housing in San Francisco. Toward that goal, the report is to be scheduled for public discussion before the Planning Commission, the Redevelopment Commission, the Housing Authority Commission, and the Board of Supervisors.

Prior to the establishment of the Committee, other Task Forces and Committees had been created to look at parts of the overall housing needs, including the Homeless Task Force, the Seismic Task Force, Mission Bay, and Vacancy Control. Since the creation of the Committee, additional land use opportunities have arisen which will also require specific attention, such as the Hunter's Point Shipyards, and the Presidio.

The Mayor's Housing Committee was asked not to duplicate the work of the other issue-specific task forces, but to compliment these efforts, by developing more general recommendations.

INITIAL PREMISES

The Mayor's Housing Advisory Committee conducted its evaluation with seven initial premises which were confirmed during the course of its research. These premises were expanded into the key findings that are enunciated in the main Report.

1. The development of more market rate housing alone will not satisfy our need for housing affordable to households earning below median income.
2. The inadequacy of State and Federal Housing Programs requires us to make substantially greater investment of local resources in affordable housing.
3. The cost and scarcity of land requires us to make a greater commitment of publicly owned land and large development sites to affordable housing.
4. The city must organize a more comprehensive and accountable housing delivery effort to accomplish greater production and renovation of long term affordable housing.
5. The development of affordable housing can and should be a positive contribution to the character and environmental quality of existing and new neighborhoods.
6. The preservation or new development of well designed affordable housing to meet the needs of all user groups is an important investment in the future of San Francisco as a healthy and diverse city.
7. The investment in affordable housing for San Francisco must be part of a regional housing effort that recognizes the regional interdependence of our employment, housing, transportation, and open space needs. San Francisco can and should take a leadership role in the movement toward more responsible planning and support for affordable housing.

The recommendations of the Committee translate these premises into policies and programs that represent a greater responsibility for housing than has ever been assumed by San Franciscans. The Committee recognizes that the recommendations will require a major public commitment at a time of budgetary limits and concern for other acute needs.

At the same time that the Committee acknowledges the investments that are required in our transportation systems, our open space, and our cultural and social services, it presumes that the availability of housing affordable to San Franciscans is vital to the social, cultural and economic well being of the individuals who are our neighbors, and of our city as a whole.

LIST OF PARTICIPANTS

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Deputy Mayor for Housing and Neighborhoods

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Housing Consultant, Mayor's Office of Housing

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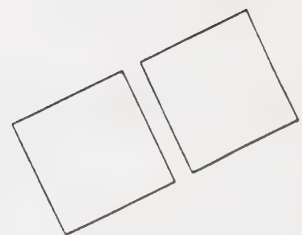
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Outline of the Report Structure



II. OUTLINE OF THE REPORT STRUCTURE

THE REPORT

The Report of the Mayor's Housing Advisory Committee outlines the analysis of the housing problem, evaluates current efforts, and recommends a plan of action composed of recommendations organized into four topical areas. The Executive Summary is a synopsis of the main recommendations, which are described in greater detail in the full report.

The Report is organized into eight sections. The Introduction frames the context of the housing problem locally. The section on The Failure of National Housing Policies and Programs discusses the larger context of the housing problem. The Summary of the Local Housing Problem illustrates the component parts of the housing problem. The Planning Department is separately releasing a more detailed discussion of our housing characteristics and housing needs which serves as a companion document to this report.

The Current and Future Housing Requirements section identifies particular affordable housing preservation and construction needs based upon current information.

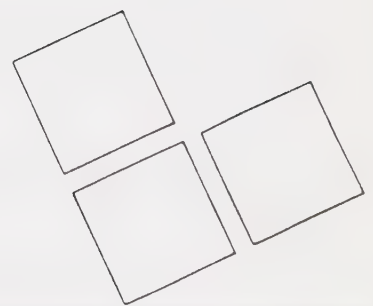
The Key Findings lists seventeen points upon which the following Recommendations are made.

The Recommendations constitute an Affordable Housing Action Plan for San Francisco. They are organized into four sections:

- A. **Improving Citywide Housing Delivery System.** These recommendations address the need for a centrally coordinated housing effort, and for unified goals and standards.
- B. **Increasing Land and Building Resources.** These recommendations address the need for greater utilization of public land and new residential areas for affordable housing, and a workable spectrum of requirements and incentives for achieving more affordable housing from private sector development.
- C. **Broadening Financial Resources.** These recommendations address the need to identify new local financial resources that are appropriate to commit to affordable housing.
- D. **Expanding Housing Resources.** These recommendations address the need to maximize long term affordability for residents of existing housing, and for a diversity of new housing needs.

The Implementation section outlines the process for public review and adoption of the recommendations. The Conclusion reasserts the guiding principles of the Committee's work.

Executive Summary



III. EXECUTIVE SUMMARY

PART 1. BACKGROUND TO THE RECOMMENDATIONS

A. The Mayor's Housing Advisory Committee

The Mayor's Housing Advisory Committee was established by Mayor Art Agnos in November of 1988 to examine San Francisco's housing problems, especially for households earning below the median income, and develop a plan for addressing them. The Committee, composed of representatives of governmental agencies involved with housing, and both for-profit and non-profit sector housing experts, developed this Affordable Housing Action Plan for consideration by the Mayor, and by the public.

B. Summary of San Francisco's Housing Needs

The difficulty in finding suitable affordable housing is rapidly approaching a crisis state, as evidenced both in the information gathered by the Planning Department, and in public opinion. Civic and business leaders, community groups and environmentalists, have all expressed concern regarding different expressions of the various housing problems, but there is common agreement that the economic and environmental health and vitality of San Francisco depend upon developing housing solutions. At their core, the primary contributor to the problems has been a complete imbalance in the supply of and demand for affordable housing, coupled with falling purchasing power on the part of even middle income households.

The need for decent, affordable housing may actually affect the majority of the residents of the city in some fashion, as evidenced by the following summary of housing characteristics and needs:

1. Only 30% of the renting households could afford the median rent for a two bedroom apartment if they had to find one today.
2. Only 5% of San Francisco households could afford to buy the median priced house.
3. We have consistently failed to construct enough new housing to meet the needs of our workforce over the last 15 years. The shortfall in affordable housing has been greatest, while a modest surplus in the most expensive housing has occurred.
4. Over one quarter of our existing housing stock of 310,000 units needs some form of rehabilitation.
5. Almost 10% of our multi-family units are built of unreinforced masonry, and pose a hazard both to the occupants and to the public in the event of a significant earthquake.
6. Close to 10,000 existing units of affordable rental housing, built or supported under Federal Programs, could be threatened with massive rent increases or conversion to condominiums due to expiring federal support.

7. The 7000 units of public housing, constituting a large resource of family housing for very low income households, urgently need local funding to supplement federal funds which are not adequate to improve the safety and quality of the units.
8. There are an estimated 5,500 to 6,500 homeless persons. They can not be given adequate permanent housing without local funds to supplement federal and state programs. We are spending over \$50,000,000 per year on various programs for the homeless yet currently not one cent of this creates permanent affordable housing.

C. Synopsis of Key Findings:

The Committee outlined seventeen key findings in the full report regarding the condition of San Francisco's current housing activity and changes required for improving our housing efforts. The major thrust of the key findings is:

1. We must reshape our local governmental housing efforts to meet affordable housing needs that neither the State and Federal government, nor the private sector alone, can meet.
2. To increase our achievements in producing long term affordable housing, significant increases in local financial resources, and commitments of new land resources, especially public sites and current non-residential land, must be made.
3. Our expanded land and financial investment in affordable housing requires both a greater rehab program, and more new housing construction, especially to meet the needs of those who are most disfranchised currently. We should particularly provide adequate affordable housing of the type that due to our current housing stock is in shortest supply.
4. Due to the topography of our city, and the size and configuration of typical San Francisco housing, there is a particular shortage of units for households with several dependent children, individuals with disabilities, the elderly, and other users with special physical design requirements.
5. New affordable housing, like all new residential development, must be compatible in character and in scale with existing neighborhoods. When built in currently non-residential areas, new residential development should establish the highest planning and design standards as a model for future development.
6. The investment in affordable housing represents an economic, social, and cultural investment in San Francisco, and can make an important long term contribution to the city and to the region. The failure to make this commitment imperils the future of our city.

D. Context of the Recommendations

The Committee is making recommendations in four general areas: The Housing Delivery System, Land Use, Finance, and Allocation of Housing Resources. Together, they constitute a major civic effort to initiate and finance the new development and rehabilitation of affordable housing. The recommendations are all considered essential to a comprehensive and effective affordable housing plan. Although in the Financial and Housing Resource sections, different options are offered for consideration, an absolute minimum effort has been described, below which we should expect further housing crises.

While acknowledging the competing financial needs of our city for all public purposes in a time of budgetary austerity, the Committee also asks for its recommendations to be put in the following context:

1. The City currently spends no money from the general fund on housing each year. The \$11 million now committed to housing annually is entirely derived from state and federal sources, or non-resident fees such as the Hotel Tax, OAHPP, and others.
2. Unlike other public expenditures, investment in affordable housing creates a physical asset and provides residency for a local workforce, which contributes to the tax base and to the spending of income in the local economy. Just as the City supports essential public services, the City should support affordable housing as essential to our civic well-being.
3. By comparison to our current investment of no local money in housing, the Muni alone requires close to \$100 million each year in subsidies which come from the general fund.

The costs for our County Hospital and Health Care system is about \$300 million per year, the majority of which comes from the general fund.

E. Highlights of Major Recommendations

- * In the above fiscal context, The Committee is recommending a commitment of local money of from \$34 million to \$54.6 million per year to affordable housing. This is in addition to continuing existing programs from non-General Fund sources valued at almost \$10.9 million per year.
- * The Committee has identified new revenue sources of between \$44.5 million to \$52.0 million per year. The largest new sources of revenue for this effort are a \$10 million tax increment allocation from the Redevelopment Agency, and an increase in the Real Estate Transfer Tax to raise an additional \$28.2 million dollars. Other sources and the potential mechanism for committing this amount to housing are detailed in the Financial Section.

- * An Affordable Housing Trust will be created and, with voter approval, a 12 year commitment to an allocation from the General Fund of up to \$30 million will be established.
- * The proposed increased funding in concert with existing programs could produce from 1860 to 2985 new and rehabilitated units of affordable housing per year. Priorities and criteria for the types of housing activity are detailed in the Housing Resources Section.
- * This activity will require substantial greater land resources than are currently identified for new affordable housing development. Despite the potential for affordable housing at Mission Bay, over two-thirds of our affordable housing needs for the next 20 years, and all our needs thereafter, must be met on other sites.
- * Future affordable housing will primarily depend on the more creative use of public land, and the rezoning of large tracks of underutilized non-residential land. The enactment of appropriate incentives and requirements in those areas is essential to maximizing affordable housing production. Other resources and land use planning activities are detailed in the Land Use Section.
- * The increased importance of coordinated, efficient, and responsive affordable housing activity within the city government requires a central leadership role for the Deputy Mayor for Housing and Neighborhoods, supported by a Housing Coordinating Group of appropriate department and agency directors and representatives. Further details regarding this structure and other improvements are outlined in the Housing Delivery System Section.

A comparison between current affordable housing activity and the proposed new effort resulting from these recommendations is summarized on Table 3, at the end of the Executive Summary.

An affordable housing effort of this magnitude will depend on even greater cooperation between all city departments and agencies involved in housing, as well as greater public participation and cooperation in the planning process for larger site developments. It will also require the greatest talents and abilities of both the for-profit and the non-profit sector in producing the requisite amount, type, and quality of housing which meets the needs of our diverse population and will be an asset to our neighborhoods.

The Committee recognizes these challenges, and feels that San Francisco can and must meet this challenge, for the sake of its own future.

PART 2. ABBREVIATED RECOMMENDATIONS

A. Improving the Citywide Housing Delivery System

The current Housing Delivery System encompasses too many agencies and departments. Lack of central coordination, combined with the assignment of important housing activities to under-equipped entities, has actually led to the loss of affordable housing, or the failure to consistently get the strongest, long term affordability commitments possible from project sponsors. While different agencies contribute different kinds of expertise in the planning, programming, and implementation of affordable housing, overlapping and redundant activities in some of them must be reduced or eliminated.

The public and the users of the Housing Delivery System will gain in accountability and efficiency through centralization and consolidation of the Housing Delivery System.

Recommendations:

1. Centralize and Consolidate the Governmental Activities Related to Affordable Housing.

- * Establish a Housing Coordinating Group under the direction of the Deputy Mayor for Housing and Neighborhoods. This group should include:

- Director of the Mayor's Office of Housing
- Director of the City Planning Department
- Executive Director of the Redevelopment Agency
- Executive Director of Housing Authority
- Superintendent of the Bureau of Building Inspection
- Attorney from the City Attorney's Office

- * Assign any operation related to Affordable Housing policies, programs, enforcement, and monitoring to one of the above agencies.
- * Centralize the process for the application and evaluation of all affordable housing proposals under the Deputy Mayor for Housing and Neighborhoods, with the Housing Coordinating Group as counsel.

2. Initiate new Affordable Housing programs and expand the capacity of the non-governmental affordable housing producers.

- * Establish a centrally coordinated land and building banking program.
- * Support non-profit housing activities, including establishing a Friends of Public Housing, to provide innovative housing and management programs.
- * Establish better enforcement program for preventing the loss of affordable housing through violations of laws and agreements.

3. Provide greater public awareness and education regarding Affordable Housing.

- * Promote better understanding regarding affordable housing needs, standards, and creative solutions, including the development of media materials.

B. Increasing Land and Building Resources

The scarcity of land and the high cost of land and buildings make it imperative for the City to identify and control new affordable housing opportunity sites. The predictions for future housing needs are still under study by the Planning Department, but the range is between 1500 and 3000 units annually, of which 40% must be affordable to households classified as low or very low income. These are households for that portion of our work force which is vital to our economy, including the majority of public employees and those in the expanding service economy.

Without finding new land resources, under current zoning, we can only accommodate another 30,000 units of housing without depending on major demolition or enlargement of the existing housing stock. This means we will virtually run out of residential land in between 10 and 20 years.

The majority of the new affordable housing will need to go on public land, and in newly rezoned residential districts, primarily in the eastern half of the city. Through the use of new zoning tools we can maximize the amount of affordable housing in these areas and utilize the capacities of the private and non-profit sectors.

The Committee found that affordability depends more on the stabilization of land values, and the clarification of planning regulations, to build neighborhood consensus, than on substantially greater densities in most cases. Within existing low-rise residential neighborhoods, the reliance on economical wood frame construction, at a scale and density that is compatible with existing neighborhoods, was determined to produce the best quality environments and enjoy the best neighborhood acceptance.

Recommendations:

1. Create more housing opportunity sites for affordable housing

- * Survey all publicly owned land, whether officially declared vacant or not, to establish its potential for affordable housing.
- * Target financial resources to suitable publicly owned sites, including air-rights, to achieve 100% affordable housing.
- * Expedite rezoning of non-residential lands with affordable housing requirements and incentives on housing sites in these areas:
South of Market, Mission Bay, South Van Ness, Inner Mission/
Showplace Square, Central Waterfront, Bayview/Third Street Corridor

- * Create targeted housing and economic development areas with community participation such as:
Sixth Street Corridor, Select Public Housing Sites, Bernal Heights/South and East Slopes, Bayview/Third Street Corridor
 - * Promote affordable residential development along transportation corridors and in neighborhood commercial districts.
- 2. Promote more economical construction to achieve affordable construction.**
- * Evaluate a potential illegal-unit compliance program and identify new secondary unit zones, with neighborhood involvement.
 - * Support enactment of planning code and building code provisions that maximize construction economy.
- 3. Develop more consistent planning standards to promote the highest quality design for new housing and neighborhoods.**
- * Recognize, quantify, and protect the special character of one and two family housing districts.
 - * To the degree possible, make more objective design standards and amenity requirements, especially for development of larger parcels.
 - * With public participation, develop standards for the scale of all new residential rezonings that create certainty to all parties.
 - * Evaluate previously approved and constructed affordable housing and planned unit developments and document findings.
 - * Emphasize predictability and clarity in the proposed rewriting of the Planning Code.
- 4. Develop a priority planning process to assist affordable housing:**
- * Develop a manual describing planning review and approval process to all agencies involved in planning.
 - * Without diminishing public participation, expedite the review and approval process for affordable housing developments.

C. Broaden Financial Resources

Current local financial commitments for affordable housing must be increased, and the Committee concentrated on both potential new sources of revenue, and new methods for maintaining a predictable allocation of funding to housing endeavors each year. The Committee limited its focus to those potential revenue sources that appeared to have some

relationship to the housing problems, in order to establish a nexus between the revenue source and the dedication of the revenue.

The Committee has identified sources which exceed the minimum amount required for its proposed "Achievable Housing Effort", but insufficient alone to fund the "Preferred Housing Effort". These options are described in the next Section, and on Table 2.

The current system of generating and managing financial resources is decentralized, although through the device of Memorandum of Understanding between various agencies, the primary managers of financial resources for affordable housing are the Mayor's Office of Housing, and the Redevelopment Agency.

In tandem with the recommendations for the creation of a unified and centralized Housing Delivery System, the Committee is also recommending the creation of an Affordable Housing Trust. This Trust would be the central depository for all housing funds and assets. The concentration of assets in the Trust would create greater leverage in seeking outside financing, and could also generate revenue and reduce debt through proper management and solicitation of private participation.

The Committee recommends requesting the Board of Supervisors to approve a minimum \$3 million allocation to this Trust beginning this year. In order to give long-term certainty to the financing of affordable housing, the Committee recommends that the voters be asked to approve a yearly allocation from the General Fund to the Trust of up to \$30 million for a period of up to 12 years.

In the long term, the city should explore creation of a San Francisco Housing and Finance Agency with its own ability to generate a steady and predictable revenue stream. The Housing Finance Agency, as a concept, has the advantage of directly channeling revenue to housing without requiring annual allocation from the General Fund, but it may be subject to legal challenges and court testing. The establishment of the Agency should therefore be made independent from the Trust to reduce the impact of potential legal invalidation.

The Recommendations are outlined on Table 1.

TABLE 1
FINANCING RESOURCES FOR AFFORDABLE HOUSING

Program	Source of Funds	Est. Annual Amount
EXISTING PROGRAMS:		
Housing Site Acquisition	Federal Comm. Dev. Block Grant	\$ 2,450,000
Comm. Housing Rehab Program	Comm. Development Block Grant	\$ 1,500,000
Rental Rehab Program	Federal RRP	\$ 1,700,000
Office-Affordable Housing (OAHPP)	Office Developer Fees	\$ 2,450,000
Hotel Tax Fund	Hotel Occupancy Tax	<u>\$ 2,800,000</u>
	TOTAL EXISTING PROGRAMS:	<u>\$10,900,000</u>
POTENTIAL PROGRAMS:		
Tax Increment Funds	Tax Increment (Redevelopment)	\$10,000,000
City Seismic Rehab Program*	\$ 50 Million General Obligation Bonds	\$ 5,000,000 (for 10 years)
OAHPP	(a) Lower Existing Fee Threshold to 25,000 sq. ft.	\$ 300,000
	(b) Adjust Fee and include comparable Development Fees on Port and Redevelopment land	\$ -0- to \$1,500,000
Affordable Housing Trust	(a) Cash & Debt Management	\$ 1,000,000 to \$ 2,000,000
	(b) Encourage Private Sector Contributions	\$ 1,000,000 to \$ 5,000,000
Real Estate Transfer Tax	Additional tax of between \$2 to \$6 per \$1000 above existing Real Estate Transfer Tax	<u>\$28,200,000</u>
	TOTAL POTENTIAL NEW PROGRAMS:	<u>\$45,500,000 to \$52,000,000</u>
	OVERALL TOTAL	\$56,400,000 to \$62,900,000

* To leverage State seismic rehab. funds, estimated \$2 to \$5 million per year.

D. Expanding Housing Resources

Currently, different Agencies use different standards and criteria for defining affordable housing and for prioritizing the allocation of housing resources to different user groups. The Committee is recommending appropriate uniform standards and goals, and is also articulating two options representing a realistic range for the annual allocation of housing funds.

The Committee recognized the need to increase our non-local financial resources, especially where it may be possible to use these resources alone to assist first time home buyers, and existing tenants seeking ownership opportunities in their current residence.

In addition to the 100 to 200 units expected to be produced annually with the use of creative zoning, It is hoped that new ownership assistance programs can help up to an additional 200 households gain ownership annually on the open market, or in condominiums and developments with mixed income opportunities.

Recommendations:

1. Establish uniform definitions and standards for affordable housing. Housing will be considered affordable as follows:

	Maximum Income	Goal for Average Income
Rental Housing	80% of Median Income	60% of Median Income
Owned Housing	120% of Median Income	100% of Median Income

- * Affordability should last for 50 years or the life of the project.

2. Establish affordable housing priorities:

- * Prioritize preservation of the existing subsidized affordable housing.
- * Prioritize new construction especially for special users, including households with dependent children, the elderly, and the disabled.
- * Prioritize a minimum annual commitment to the most urgent housing needs:

Transitional and permanent housing for the homeless
Renovation and improvement of Public Housing
Upgrading of unreinforced masonry housing
Affordable housing with expiring subsidies

3. Preserve existing and future affordable housing.

- * Enact and enforce strong measures to prevent the conversion or demolition of affordable housing.
- * Expand and strengthen condominium conversion ordinance to also regulate partnership occupancy of multi-unit buildings.

4. Support new affordable ownership programs.

- * Expand first-time homeowner programs.
- * Support tenant sponsored cooperatives and condominium conversions while protecting tenants who elect not to participate.

5. Allocate sufficient resources to meet both current and future affordable housing needs.

- * Review and adopt one of the proposed options on Table 2 for an annual commitment to The Affordable Housing Action Plan.

The Committee also identified emerging housing issues which it did not feel there was sufficient information or time to analyze, but which it wishes the Planning Department to address as part of the public hearings devoted to the Residence Element. In both cases, The Illegal Unit Problem and the Multi-Unit Rental Conversion Problem, one group of households with limited housing dollars is competing with another, but less affluent group, for the same housing stock.

The Committee noted the projected loss of up to 1000 "illegal units" may be partly occurring as new building owners choose to remove and absorb the illegal units to enlarge their own units. It also noted that when partnerships purchase buildings for occupancy by each partner, tenants are being displaced and there is a decrease in rental units on the market. Over 600 households were evicted last year for owner occupancy, and it is suspected that a substantial amount of this was a result of partnership occupancy.

This kind of activity is occurring as those who cannot find condominiums or homes of the type they would prefer are purchasing units or buildings that are selling for less, due to the current kind of occupancy. This is clearly a market response to the lack of new affordable ownership opportunities.

The above emerging problems suggest that until the complete Affordable Housing Action Plan is adopted, and significant new rehabilitation and construction efforts begin to relieve the extraordinary pressure on the existing affordable housing stock, there will be continuing housing tension in San Francisco.

TABLE 2
HOUSING RESOURCE ALLOCATION OPTIONS

The following table indicates a range of options for the use of local financial resources. The Table does not indicate the direct or indirect value of non-local resources that will be required to produce the anticipated number of units.

In addition to local financial resources, affordable housing can be developed utilizing some mechanisms that do not require long-term local revenue sources:

1. Mortgage Revenue Bond Programs
2. First Time Homebuyer Programs
3. Tenant Sponsored Cooperatives and Condominium Conversions
4. Land Controls and Incentives

It is anticipated that the administrative costs for these four programs should be substantially covered by fees to make them essentially cost-free (in local dollars)

ANNUAL ALLOCATION ALTERNATIVES

<u>Category</u>	1. <u>Achievable Effort</u>		2. <u>Preferred Effort</u>	
	Housing Units/Amount		Housing Units/Amount	
1. New construction	Varies			
a. subsidies			800	\$26 mil.
b. zoning incentives			200	-0-
2. Rehab	Varies		715- 990	\$20 mil.
SUBTOTAL	1330	\$31 mil.	1715-1990	\$46 mil.
3. Homeless	85-100	\$3 mil.	100-120	\$4 mil.
4. Public Housing	110-130	\$3 mil.*	130-165	\$4 mil.*
5. Seismic	250-320	\$5 mil.	375-480	\$7.5 mil.
6. HUD expiring subsidies	85-100	\$3 mil.*	110-130	\$4 mil.*
TOTAL	1860-1980 units \$45 mil.		2430-2985 units \$65.5 mil.	

* Commitment of these local funds should occur only after exhausting all State or Federal remedies.

TABLE 3
AFFORDABLE HOUSING ACTION PLAN SUMMARY

Comparison of Current Affordable Housing Activity to proposed reorganization under the recommendations of the Affordable Housing Action Plan.

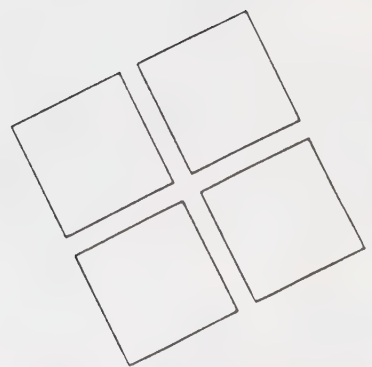
Items are listed in order of the Highlights of Major Recommendations in the Executive Summary.

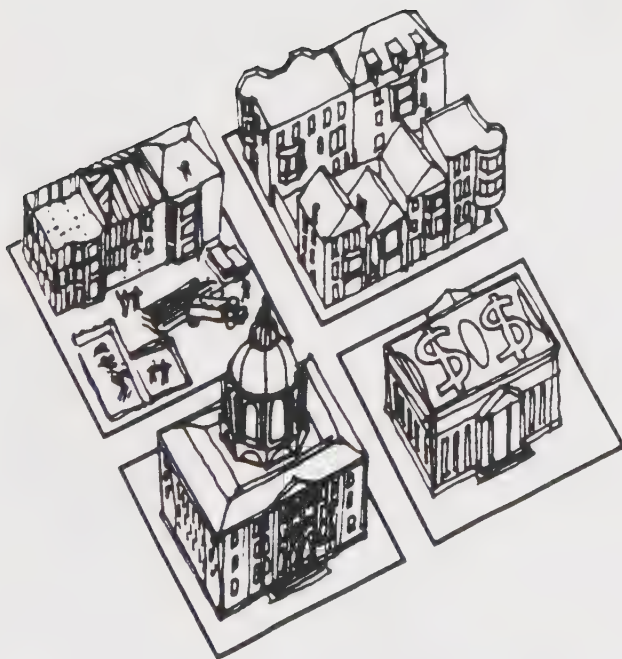
	CURRENT	PROPOSED
1. Non-General Fund money spent on Affordable Housing	\$10.9 million annually	\$10.9 million annually
2. Local General Fund money spent on Affordable Housing	\$-0-	\$34 - \$54.6 mil. annually
3. Annual Revenue Sources for Affordable Housing:		
a. Tax Increment	\$-0-	\$10 mil.
b. Seismic Bonds \$50 mil. G.O. bonds	\$-0-	\$ 5 mil. (for 10 yrs.)
c. Real Estate Transfer Tax	\$23.5 mil. of which -0- for housing	\$51.7 mil. of which \$28.2 mil. for housing
d. OAHPP	\$2.5 mil.	\$2.8 - \$4.3 mil.
e. Better cash and debt management	\$-0-	\$1 - \$2 mil.
f. Private sector contributions	\$-0-	\$1 - \$5 mil.
4. Centralization of Aff. Housing Assets and Deeds of Trust	Many accounts in many departments. fund management low priority.	One Affordable Housing Trust. Management and monitoring high priority.
5. Afford. Housing Production: New + Rehab.	New: 300/yr. Rehab: 700/yr. Total: 1000/yr	Combined New + Rehab: 1860 - 2985/yr.
6. Location of Land for Affordable Housing.	Reliance on many smaller scattered sites. Counting on Mission Bay for large number. Counted on Redev. for much on-site	Expand housing sites south of Market and on entire east side of city. Greater use of public land. Mission Bay can meet only 1/3 of need. Redev. off-site

(CONTINUES)

- | | | |
|---------------------------------------|---|---|
| 7. Planning Code and Zoning Devices | <p>Few affordable housing req'mts or incentives. High uncertainty, housing by negotiation. Drives up land & bldg. costs. Neighborhood impact and reaction high.</p> | <p>Consistent new afford. housing req'mts and incentives. High objectivity, housing by clear rules. Stabilizes land & bldg. costs. Neighborhood input and compatibility high.</p> |
| 8. Affordable Housing Delivery System | <p>Fragmented. No central leadership. No coordination. Overlap and duplication of function. Slow & difficult joint agency work when required</p> | <p>Central leadership: Deputy Mayor for Housing and Neigh. with Housing Coord. Group. Consolidate technical staff. Efficient, productive joint work often required.</p> |

Report





**MAYOR'S HOUSING ADVISORY COMMITTEE
DRAFT REPORT**

1. INTRODUCTION

In recent years San Francisco has experienced an intensification in housing problems characterized by a widening gap between the price of housing and the average households' ability to pay for housing. The unavailability of suitable affordable housing is affecting a large number of those who currently work and live in San Francisco.

The demand for all types of housing has increased through the 1980's due to a number of independent factors, including increased downtown office development, changing household composition and lifestyle, increased immigration, and insufficient new housing construction.

As the daily commute from other counties has worsened, and the urban amenities of San Francisco have retained their attractiveness, many individuals and families are choosing to stay in San Francisco who in previous generations might have moved to suburban locations.

Despite the recent movement of some larger San Francisco corporations to new outlying offices, and a statistically slowed growth of employment in the center city, in the last 3 years the population of the city increased at a greater rate than any time in the last 40 years. Also, with more households composed of two or more wage earners, there are more households where one or more employed residents commute out of the city to work each day but occupy housing units in San Francisco. According to City Planning studies, almost one in five employed residents commute out of the city each day to work.

All these factors have led to increased competition for housing, while the increase in the supply of housing has not been sufficient to accommodate the new demand. The competition and the shortfall of supply have been greatest for those households earning less than the median income. The increase in homelessness is dramatic evidence of the failure to adequately house many of our poorest residents, but the problem is also affecting a great number of working people who would consider themselves part of the middle class, but remain poor in regard to housing. Increasingly, they are accommodating themselves to overcrowding and high housing costs. They are unable to obtain any type of ownership, and face a continued decline in housing choices, or relocation to distant areas with long commutes.

The other combined Bay Area counties are also failing to meet the housing needs of the growing work force, especially for those earning less than the median income, yet people in this category are the fastest growing sector of the workforce. Experts agree that sometime in the next 10 to 20 years, the entire 9 county region will begin depending on counties as far away as the Sierra foothills to satisfy the demand for housing.

This inability to provide adequate housing choices for a large part of the population, many of whom the City depends on to provide essential services, is cause for civic alarm. In corporate and governmental sectors, there is agreement that the economic health and cultural vitality of our city will suffer if the housing problem continues to exacerbate. Both in San Francisco and throughout the region, the lack of adequate housing is perceived as one of the two major public problems, and is linked to the worsening transportation problem as a threat to our quality of life.

2. FAILURE OF NATIONAL HOUSING POLICIES AND PROGRAMS

While the very attractiveness of San Francisco and its limited land area have been major factors in the rapid development of the perceived housing problem, we are also suffering from the significant changes in national priorities over the last eight years, which have substantially contributed to our local problems.

Nationally, there have been drastic cuts in programs to assist the development of housing resources. Between 1980 and 1988, the number of units assisted nationally dropped from 300,000 per year to 11,000 per year, while Defense spending soared. Currently only \$1 is spent on housing for every \$47 spent on defense, while in 1980 it was \$1 for every \$7.

During this same period, the average wages earned fell consistently behind the cost of living, so that the national median income in 1988 was no higher in constant dollars than in 1973, while in some areas, especially San Francisco, housing costs have gone up from 300% to 1000% over the same period. Between 1973 and 1986 the percentage of children living in poverty has increased from 21% to 35%, and the decline in income relative to living costs has seen families with children headed by a wage earner 30 years old or under experience a 46% decrease in income.

The shortage of affordable housing at a time of rising need has been aggravated not only by a lack of new construction, but by a loss of existing affordable housing. Nationally, over 75,000 units of public assisted housing have been lost annually. Deferred maintenance and abandonment have taken a major toll on our Public Housing, and nationally it would require an estimated 21 to 25 billion dollars to modernize Public Housing. While these numbers appear enormous, they must be compared to the 125 billion dollar bailout which may be required due to the Savings and Loan crisis. There is a bitter irony in needing to bail out an industry which has been the bulwark of funds for housing loans.

While there have been indications of a reversal in the federal attitude toward housing, there is little likelihood of major funds being made available to San Francisco in the near future.

San Francisco, like other metropolitan centers, must therefore develop new local policies and programs, and identify new local financial resources to address the housing problem.

3. SUMMARY OF THE LOCAL HOUSING PROBLEM

The Planning Department publishes a yearly analysis of housing activity, "Changes in the San Francisco Housing Inventory." The 1988 Inventory Report is being issued simultaneously with the Affordable Housing Action Plan, and serves as detailed companion information. Following are some highlights from that more detailed analysis.

San Francisco has approximately 325,700 housing units, of which one third are owner occupied and two-thirds are renter occupied. It is estimated that about 23% of the households in San Francisco are considered very low income, with an income of \$20,000 or lower. Another 22% are considered low income, with a maximum income of \$30,000. About 10% of the households meet the definition of moderate income, earning between \$30,000 and \$50,000, while 45% of the households earn above \$50,000 per year. Over the last 10 years, we have increasingly become a city of people concentrated in extremes of poverty and affluence.

The average rent for a two-bedroom apartment in San Francisco is \$875.00, which is over \$400 more than a very low-income household could afford. As a result, overcrowding and overpaying are an increasing phenomena for many renters, with less than one in three renting households able to qualify for a two-bedroom apartment.

The average price for a home in San Francisco is now over \$300,000, more than 3 times the national average. Even in our least expensive neighborhoods, the average price of a small two bedroom unit is about \$180,000, which would require a household income of close to \$60,000 to buy. Less than 5% of the households in San Francisco can afford single family home ownership, and only 15% of the households in the Bay Area could afford the cost of a median-priced home in the region, which was way over \$240,000.

4. CURRENT AND FUTURE HOUSING REQUIREMENTS

The Planning Department is issuing a draft of "Housing Needs Analysis for San Francisco to 1995" as part of the material which will be used in the revision of the Residence Element. This document also serves as a companion to the Affordable Housing Action Plan. Preliminary data from the Needs Analysis was the basis for the work of the Mayor's Housing Advisory Committee.

While the Committee was actively gathering information for its study, in the fall of 1988, the Association of Bay Area Governments (ABAG) released their regional housing goals, which established certain housing requirements for San Francisco. These were the subject of a hearing before the Planning Commission, and the Planning Department is required to consider these numbers and their underlying methodology in the preparation of the City's Residence Element.

The determination of housing needs in response to the expansion of the work force is just one of the categories used by ABAG, but their regional decision to increase the percentage of new workers housed within the communities where they are employed has significantly affected the overall San Francisco requirement. This is discussed briefly in the following section on New Housing Construction Needs.

Construction of new housing and the retention and rehabilitation of existing housing are both essential in response to future housing needs. While the overall targets for new construction have been a major focus for discussions about affordable housing, there also exist acute needs for housing rehabilitation to maintain and improve the existing affordable housing stock. These needs are discussed in the section on Existing Housing Retention Needs.

NEW HOUSING CONSTRUCTION NEEDS

In the "Housing Needs Analysis for San Francisco to 1995", The Planning Department used the ABAG figures and determined that the total housing need was 25,120 units over 7 years, or 3,584. The figure is dramatically higher than previous ABAG targets for San Francisco, in large part due to a requirement that the City absorb a greater percentage of new workers in San Francisco than has been the trend for the last 20 years. If the City were to house new workers only at the current rate of approximately 40% of the total new workforce, this figure would be reduced to 1,475 units per year. This would also put a greater responsibility for housing the San Francisco workforce on other counties, which they are increasingly incapable of doing.

It should be noted that estimates for needs during the 1980's varied between 1500 and 3000 units per year depending on the source, and that actual production during the 9 year period averaged 1240 units per year. The production figure does not account for housing units lost through demolition or conversion. Furthermore, there was a major shortfall of new units available to households below median income, which was to have been 55% of the needs figure. Even using the lowest needs figure, between 1980 and 1988, there should have been 825 units each year in this category, whereas only 305 per year were actually built. To compensate for that unmet need for affordable housing would require an additional 4160 units of affordable housing to be constructed over the next seven years, or close to 600 units per year. This figure may be partially addressed in the ABAG targets for increasing the percentage of new workers housed in San Francisco.

Currently, ABAG assumes that San Francisco should commit 24% of new housing construction to very-low income households, and 16% to low income households. An additional 20% should be for moderate income households, with the remaining 40% at market rates. Recent information indicates that within the last 9 years, the number of households in the low and very low income categories may be higher than the figures established by ABAG.

Previous City Policy and EIRs in particular the Mission Bay EIR, have established different figures for both projected overall housing production, and for the allocation by affordability category. Projections concerning the future employment of the work force and other factors for calculating new housing needs are discussed in the Planning Department's Report, and actual policy will not be adopted by the Planning Commission until the completion of the Residence Element later this year. In the interim, the following range should be considered for new construction needs:

1. Minimal Needs: 1,457 Units per year
 - * No reduction of past deficits
 - * No increase in percentage of new workers housed in San Francisco
2. Status-quo Needs 2,057 Units per year
 - * Reduction of past 9 year deficit
 - * No increase in percentage of new workers housed in San Francisco
 - * Reduction vacancy rate
3. ABAG Needs 3,584 Units per year
 - * Increase in percentage of new workers housed in San Francisco

The Annual Needs breakdown of each of these three scenarios would be:

Affordability Level	1. Minimal	2. Status-quo	3. ABAG
Very Low Income Below 50% Median	350 Units	590 Units	860 Units
Low Income Below 80% Median	233 Units	393 Units	574 Units
Moderate Income Below 120% Median	291 Units	491 Units	716 Units
Market Rate Above 120% Median	583 Units	583 Units	1,434 Units
	-----	-----	-----
Total	1457 Units	2057 Units	3,584 Units

EXISTING HOUSING RETENTION NEEDS

Conventional Existing Residential Housing

The Residence Element of San Francisco's Comprehensive Plan provides an extensive policy framework which calls for the retention of existing housing. An estimated 76,700 units have some rehabilitation needs to be addressed.

Based on the current Housing Assistance Plan and the perceived needs of the local housing development corporations, a projected minimum target for the rehabilitation of low and moderate income units has been established at 700 units/year at a minimum of \$15,000 per unit or \$10,500,000 per year.

Unreinforced Masonry Residential Buildings

There are some 25,000 units in 769 unreinforced masonry residential (URM) buildings in San Francisco, most of which are occupied by low income households and persons, many of whom are elderly. This represents more than 10% of the multi-family housing units in the City.

Recent State legislation requires that cities develop programs which address the seismic vulnerability of those buildings. Such required improvements, if made by existing owners, would have the effect of increasing the rent of units in the buildings, thereby potentially causing displacement of the present residents or causing them to pay more in increased rent. San Francisco has established a separate committee to look at this problem and their report will detail several options.

The issue of dealing with URM buildings is very serious in its implications on preserving an existing significant low and moderate income housing stock. The voters approved a State Bond program to assist in this effort, but it is currently estimated that an additional amount of about \$20,000 per unit or \$50 million total in local revenues will also be necessary. Since this is an issue that many West Coast cities face, it is hoped that State or Federal financing will be made available to the cities in order to ensure that these buildings can be rehabilitated to meet seismic standards and still maintain their low and moderate income rent structure. If this State and/or Federal financing assistance is not forthcoming, the City may have to assume the obligation, thereby substantially increasing its fiscal burden.

Potential Loss of Subsidized Housing Units

There are two subsidized housing program areas in which there may be a potential loss of low and moderate income housing units. The first relates to potential conversion of, or prepayment of, existing mortgages on subsidized housing projects. The second relates to the potential termination of existing Section 8 rent supplement contracts.

a. Conversion of Existing Mortgages

Most of the multi-family housing projects built over the past 20 plus years using HUD Sections 221D-3 and 236 low interest mortgage programs provide for the project owner to prepay or convert the existing mortgage after 20 years.

The 1986 Tax Reform Act substantially reduced the tax write-off benefits which were used and provided incentives to for-profit developers to invest in the previously mentioned HUD mortgage programs. It is therefore likely that, depending on the circumstances, many of these low and moderate income project owners will now choose to prepay the existing mortgage and thereby enable them to charge market rate rents. This is already happening in many parts of the country, including the Bay Area.

It is not likely that in San Francisco there will be an overwhelming loss of low/moderate income units resulting from prepayment of existing mortgages. Of the 37 housing projects which were built with the low interest rate HUD mortgage programs, 29 were built by non-profit sponsors and thereby cannot benefit by or are precluded from converting existing mortgages, and two projects have mortgage contract agreements with constraints which virtually preclude conversion, thereby ensuring the continued status of low and moderate income rent levels. Therefore, it appears that there may be a potential conversion of the six remaining projects with 549 units.

Federal and/or State intervention will be required to provide the required funding to enable either a buy-out of the housing projects from existing owners by a non-profit development entity or the provision of supplemental rental payments to the owners to ensure that present low and moderate income units will be retained.

b. Termination of Section 8 Contracts

Virtually all of the qualified low income residents of housing developments which utilized Federal housing subsidy programs, such as Section 202, 221D-3, 221D-4, 236, and State CHFA program funds are now supported through HUD Section 8 rent supplement payments through agreements between the owners of the the developments or the CHFA. Currently, there are some 9,616 units which fall within the Section 8 Program. Of this amount, 5,673 are in redevelopment projects.

There are two basic problems facing this program: 1) whether or not the Section 8 or other similar rent supplement programs will continue under Federal and State law with the required levels of funding needed to support the program; and 2) the continuation of expiring contracts between housing development owners and HUD or the Housing Authority. The terms of these contracts expire periodically between now and the year 2000. Some of these contracts have permitted time extensions of 5 or 10 years, while some contracts cannot be extended. If and when contracts expire, either by option of the owner or because they cannot be extended, the rents of the units at these housing developments can be increased by owners beyond the ability of the eligible low income household to pay. Because of the amount of Section 8 units in the City, this can be a very serious issue beginning in about five years when many of the contracts begin to expire.

Since both the conversion of existing mortgages and termination of Section 8 contracts are national issues, it is Federal and/or State intervention to solve the problem should be encouraged, either to extend existing contracts, provide necessary funding allocations to ensure continuation of the Section 8 Program, and/or provide funding to permit local non-profit developers to purchase the housing projects. In the absence or delay of State and Federal programs, there will be a need for some local revenue to prevent the loss of these "at-risk" housing developments. A minimum of \$1 million to \$2 million per year may be required.

Public Housing Rehabilitation Needs

There are currently 6,754 public housing units in the City. Approximately 90 public housing units per month (over 1000 per year) are vacated by Housing Authority tenants. Based on the need to rehabilitate these vacated units, the Authority has instituted a rehabilitation program which it calls the "Vacate Program". Logically, funding for such rehabilitation would be from the Federal Dept. of HUD. However, Federal HUD will not

provide the Authority for funding for rehabilitation unless it is done on a wholesale project basis. This, the Housing Authority has determined, is not a feasible approach because of the resident displacement it would cause. The "Vacate Program," being on a unit-by-unit rehabilitation basis, will therefore not qualify for HUD funding. The Housing Authority is currently receiving funding from the CDBG Program of approximately \$1,141,000 per year for the "Vacate Program". The average cost of rehabilitation is approximately \$4,000 per unit. Based on continued funding at \$1.14 million per year, approximately 285 units could be rehabilitated each year. This falls far short of the projected need. In order to accommodate the projected need and provide other non-fundable security and safety amenities, approximately \$3 million minimum is required annually, and substantially more could be utilized.

Housing for the Homeless

It is estimated that there are 5,500 - 6,500 homeless persons in the City of San Francisco at the present time.

San Francisco is currently pursuing a number of "Homeless Housing" programs utilizing funding obtained through the provisions of the McKinney Homeless Assistance Act of 1987. Funding for social, health, employment, education and housing programs emanate from several Federal Departments and was funded at \$355 Million for FY 87 and will be \$253 Million in FY 88. The Act joins the private sector with Federal, state and local governments to aid the homeless and is targeted toward elderly, handicapped, mentally ill, and families.

Although there has been no estimate of the magnitude of local funds which may be required as part of a comprehensive homeless program, it is clear that any effort on the part of the City to expand existing housing resources, either through rehabilitation of single room occupancy hotels (SRO's), the creation of new housing stock, or the expansion of the Section 8 voucher program, will require significant public funding resources to supplement whatever resources are allocated by Federal and State programs. Due to the need for on-site social services and management requirements, it will require approximately \$35,000 per unit of local funds to use this type of housing. It is estimated between \$3 million and \$4 million per year would be required.

5. KEY FINDINGS

The Mayor's Housing Advisory Committee evaluated current housing policies, programs and production as the basis for making the recommendations in this document. The recommendations should be considered as a response to the following key findings:

1. The demand for housing, especially for housing affordable to households earning less than moderate income, greatly exceeds the availability of housing.
2. The lack of available affordable housing and the deteriorating condition of the existing supply of affordable housing fundamentally affects the quality of life for an increasing number of San Francisco residents.
3. The agencies and departments that constitute the City's housing delivery system must be more efficiently organized and coordinated to increase the amount of affordable housing.
4. State and Federal housing programs will be insufficient in meeting our actual housing needs.
5. The private sector alone cannot meet our affordable housing needs.
6. The amount of local funding resources required to obtain more affordable housing must increase significantly.
7. The amount of land resources committed to affordable housing must increase significantly.
8. The majority of available housing resources should be targeted to serve those income groups in greatest need.
9. The preservation and improvement of the local existing affordable housing stock, particularly for low and very low income households, must be made a priority.
10. Major opportunities for new construction must be made available to accommodate future affordable housing needs.
11. Housing for households with special needs must be made a regular part of our affordable housing efforts.
12. The provision of consistent and enforceable long-term affordability requirements where public funds or regulations are involved is essential.
13. New affordable housing must be compatible in scale and character with its surrounding neighborhood. The provision of new affordable housing should not contribute to the demolition of existing sound housing.

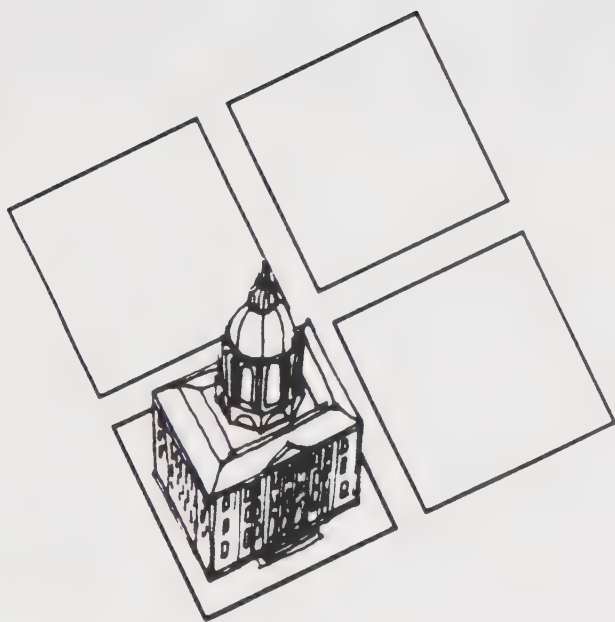
14. The greatest opportunities to develop new affordable housing are on publicly owned sites, and on privately owned parcels in areas currently zoned for non-residential use.
15. The required increase in land and financial resources to meet our affordable housing needs represents an important investment in the future of San Francisco.
16. The long term economic gains of investing in affordable housing will be more than returned into the local economy.
17. Despite the initial costs required to produce more affordable housing, the local and regional consequences of not investing in affordable housing are potentially more costly. The need for even greater public expenditures on regional transit and highway systems, the loss of outlying open space to sprawling low density development, and the shortage of a dependable work force must be accepted as the costs of not meeting our requirements for more affordable housing within San Francisco.

6. RECOMMENDATIONS FOR A COMPREHENSIVE HOUSING PLAN

The recommendations of the Mayor's Housing Advisory Committee addresses four specific areas. These are:

- A. Improving Citywide Housing Delivery System
- B. Increasing Land and Building Resources
- C. Broadening Financial Resources
- D. Expanding Housing Resources

Together the recommendations constitute a major change in how San Francisco achieves a greater amount and diversity of affordable housing. The Committee also recommends implementation of the Affordable Housing Action Plan as rapidly as possible, with full public review and participation. The prices of housing and land are escalating daily, and the amount of time required to develop affordable housing can take several years. Each month that sufficient funding or properly zoned land is not available for affordable housing, the opportunity for gaining almost one hundred desperately needed housing units is lost forever. The Affordable Housing Action Plan is essential to meeting the future housing needs of San Francisco and that future is more limited with each delay in adopting a long-term plan. The Committee acknowledges the significant local cost of undertaking even what is considered a minimum effort. However, the cost of inaction is felt to be even greater.



A. IMPROVING CITYWIDE HOUSING DELIVERY SYSTEM

DISCUSSION

THE CURRENT HOUSING DELIVERY SYSTEM STRUCTURE

The responsibility for developing housing policy and programs, and for implementation and enforcement, is spread among several departments and agencies. The combined activities of these entities constitutes a Housing Delivery System. The four central entities in the Housing Delivery System are the Planning Department, The Mayor's Office of Housing, the Redevelopment Agency, and the Housing Authority.

The Planning Commission plays a central role in the development of housing policy, through the Residence Element of the Master Plan. The Planning Department provides yearly data and analysis of housing trends, which other agencies and the public rely on for the development of housing programs. Since the mid 1970's, they have developed several types of zoning controls which attempt to directly or indirectly encourage the retention of existing affordable housing or the production of new affordable housing, often in response to public concern.

The Mayor's Office of Housing does not establish policy, but it is the primary vehicle outside of Redevelopment areas for the allocation of funding and provides the technical assistance required to assist both non-profit and for-profit corporations undertake affordable housing rehabilitation and new construction.

The Redevelopment Agency is accountable to its own Commission, and it both establishes policy for development within its own jurisdiction, and sponsors development. The Agency establishes its own land use controls and conducts its own project approvals, some of which includes affordable housing monitoring. Currently, it has its own technical staff to assist in all its activities, including affordable housing monitoring.

The Housing Authority is accountable to HUD, and though subject to land use controls established by the Planning Code, its budget and its activity is substantially dependent on Federal policy and programs. It is devoted exclusively to meeting our local commitment to provide housing for the very poor.

EVALUATION OF THE HOUSING DELIVERY SYSTEM

The Committee reviewed the roles and relationships of these and the other agencies and departments that constitute the Housing Delivery System, and concluded that there is a strong need for better coordination, especially in establishing uniform standards and in enforcing these standards for long term affordability. While the

Committee lauded some of the positive new examples of affordable housing development, such as the Poly High development, it also noted the loss of hundreds of existing affordable units due to a failure to devise long term affordability requirements, or to systematically enforce affordability requirements, as in the condo conversion ordinance.

The combination of overburdened agencies and departments which do not have affordable housing as their priority, institutional complacency, and the lack of enforcement incentives, has severely undercut the net gain of affordable units.

The independent activities of the Redevelopment Agency and Planning Department combined with some of the provisions of Planning Code have been often counterproductive in getting affordable housing as evaluated by the Committee. Both in the development of some of the area plans, and in project review and approval, unnecessary conflicts between neighborhoods and housing providers could be reduced with clearer and more consistent regulations and processing.

Neighborhood groups and dedicated housing providers alike have been dismayed to see some project sponsors claim to be providing "affordable housing" in return for seeking approval of out of scale or poorly designed projects, which contributes to the negative public image in some areas regarding "affordable housing". The Committee determined that a few developments of this kind have tarnished in advance the legitimate and generally well designed efforts of community supported affordable housing developments.

Until recently, the Planning Commission and Mayor's Office of Housing, Board of Permit Appeals, and Redevelopment Commission have all used different standards and durations in imposing or negotiating affordability agreements, which has produced public skepticism regarding the supposed social gain represented by governmental support for or investment in some particular projects.

The failure of the Planning Department and the City Attorneys Office to aggressively prevent the conversion of apartments and residential hotels to other uses has been a signal to building owners that the City is not serious about its own laws.

The failure of the Planning Department and the Real Estate Department to enforce the condominium conversion ordinance affordability requirements, due in part to a poor system which created strong economic incentives for subversion, likewise contributed to pervasive abuse.

The Committee noted that these and other failures were not intentional, and that department budget cuts have aggravated the ability to staff enforcement efforts. Budget cuts and department priorities have also resulted in no agency having responsibility for actually evaluating the final impact of built affordable housing on the neighborhoods and on the residents of the housing.

However, the failure to more consistently share information, and develop joint new programs and standards, is more a result of lack of a central leadership concerning affordable housing, and isolation of technical staff from one another and from the public.

The Committee has identified three main objectives for improving the Housing Delivery System:

1. Centralize decisions regarding allocation of land and financial resources, to increase the efficiency and public accountability of the entire Housing Delivery System.
2. Consolidate operations of many of the current activities and require greater interagency cooperation.
3. Coordinate planning and initiate new programs to maximize affordable housing, utilizing the unique capabilities of each participating department or agency appropriately.

The creation of the Deputy Mayor for Housing and Neighborhoods has already had a positive effect in instituting better coordination and uniformity among the participants of the Housing Delivery System. The Committee acknowledges that other improvements are currently being made, but also recognizes that the public faith and trust necessary to carry out a more ambitious affordable housing effort depends on both increased efficiency and increased accountability. The recommendations for a revamped Housing Delivery System attempt to constitute a clearer and more accessible process for citizens as well as the users of the system.

The recommendations assume the continued existence of the major components of the Housing Delivery System, with accountability to their respective Commissions. The proposed changes represent a reduction in duplicative functions and an increase in accountability through reassignment of several important functions. The Committee considered any greater reorganization would require greater evaluation of each entity, possibly culminating in the merger of whole departments or agencies. The Committee elected to undertake an immediately implementable course of action, and to also recommend an evaluation of the Housing Delivery System be conducted by an outside professional body within 2 years, to make further recommendations for potential legislative reorganization of the Housing Delivery System.

RECOMMENDATIONS

OBJECTIVE 1: Centralize and Consolidate the Governmental Activities Related to Affordable Housing

1. Establish a Housing Coordinating Group, under the direction of the Deputy Mayor for Housing and Neighborhoods. This group

shall be chaired by the Deputy Mayor and shall include the following members:

Director of the Mayor's Office of Housing
Director of the City Planning Department
Executive Director of the Redevelopment Agency
Executive Director of the Housing Authority
Superintendent of the Bureau of Building Inspection
Attorney from the City Attorney's Office

The purpose of the group is to insure that the City's housing policies and programs are effectively coordinated to generate the maximum results in addressing San Francisco's Housing problems. Toward this goal, the Housing Advisory Group shall:

- a. Issue an annual report assessing how well the City's housing policies and programs have succeeded in increasing the quantity and quality of housing, including recommendations on specific action to be taken. The report is to be the subject of periodic public hearings by the Commissions overseeing the work of the departments represented on the Group.
- b. Establish priorities for the allocation of discretionary housing funds according to City policies, and achieve greater coordination among ongoing financial resources available for housing.
- c. Review current programs with affordability requirements, (e.g. OAHPP, condo conversion ordinance) to ensure consistency with affordable housing policies and viable enforcement mechanisms.
- d. Periodically assess problems involved in expediting the production of housing and recommend appropriate actions.
- e. Assign specific responsibility for the administration and implementation of each program for affordable housing retention, rehabilitation, production, and protection to the appropriate member department for the Group.
- f. Identify and publicize the name of a specific person, in each department represented on the Group, as a housing expeditor who has direct access to the director of that Department.
- g. Coordinate lobbying efforts at the regional, state, and federal level to obtain more resources for affordable housing.

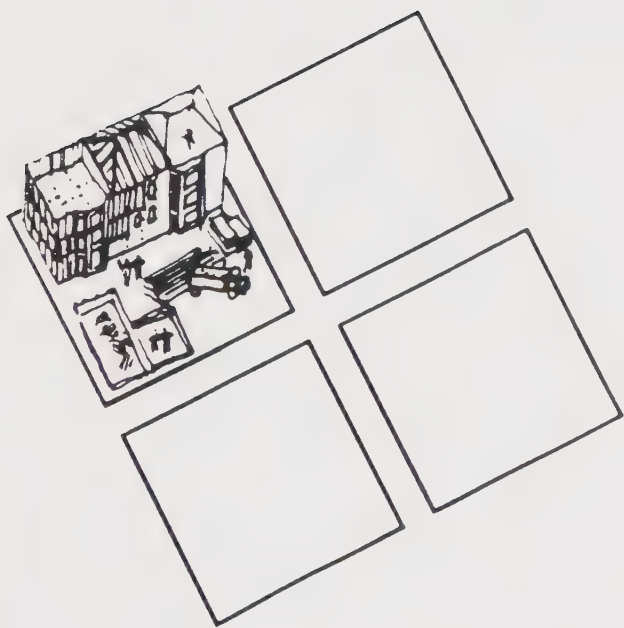
2. Establish a centralized process for the application and evaluation of all housing development proposals requiring financial assistance.
 - a. The Deputy Mayor shall be made responsible for the initial evaluation of all residential development proposals soliciting financial support by any city department or agency.
 - b. The Deputy Mayor shall establish interagency special project teams as required to explore or implement new affordable housing opportunities.
 - c. All application for project funding shall be submitted to the Deputy Mayor for Housing.
 - d. The Housing Coordinating Group shall assist and counsel the Deputy Mayor in these processes, including coordination of staff allocations and of public review and approval before appropriate Commissions or other government agencies.
3. Consider consolidation of technical staff to achieve coherence and eliminate duplication of activity.
4. Create a local Housing Finance Agency with its own direct source, subject to approval by the voters. (See recommendations in section D)

OBJECTIVE II: Initiate New Affordable Housing Programs and Expand Non-governmental Affordable Housing Capacity.

1. Establish new programs to acquire land and appropriate buildings for "land and building banking" in advance of specific project proposals.
2. Support community and constituency based on non-profit housing development corporations. Provide the technical and financial means for them to increase their production capacity.
3. Establish non-profit "Friends of Public Housing" to seek grants for innovative renovation and management programs.
4. Develop long-range plans for Public Housing, including identifying opportunities for potential mixed income infill development where consistent with overall social goals.
5. Develop program for enforcement of violations which are removing affordable housing units. Assign development of these programs to the agency to be charged with actual enforcement, and sufficiently fund the enforcement efforts.

OBJECTIVE III: Provide Greater Awareness Regarding Affordable Housing

1. Develop greater public awareness of the affordable housing problem and potential solutions through the local press and media, and through involvement with citizen groups. Evaluate past affordable housing developments and document their actual impact on the residents, the neighborhood, and the environment.
2. Publicize uniform standards for affordability, including minimum requirements for very low and low income units, duration of affordability, and penalties for removal of affordable units.



B. INCREASING LAND AND BUILDING RESOURCES

DISCUSSION

IDENTIFYING NEW LAND FOR AFFORDABLE HOUSING

San Francisco has some of the highest urban residential land prices in the nation, which is a result both of the scarcity of residentially zoned land and the demand for housing. The pressure from these factors in the mid 1980's contributed to the demolition of sound single family homes to build multiple unit buildings where permitted by zoning. The same pressure has also made the development of new housing on privately held large parcels prohibitively expensive with the exception of some few neighborhoods. Land prices per unit of housing in parts of the Richmond District are above \$125,000 per unit, and on Potrero Hill, close to \$80,000 per unit. The Bayview has seen an almost doubling in land prices in the last two years. These prices for land alone exceed the median price for a three bedroom house and land in many American cities.

In June of 1988, the Planning Department estimated that the maximum number of housing units that the current zoning could produce would be about 57,000 additional units. Of these, 27,000 units would be accommodated only through the demolition or substantial expansion of existing units. The Committee does not feel it is appropriate for public policy to depend on gaining affordable housing through this kind of activity, and that the economics of this kind of transformation is prohibitive for creating affordable housing in most cases anyway.

The remaining 30,000 units of housing potential under the current rezoning represents barely a 10 to 15 year supply of housing sites. Half of these units are accounted for in Redevelopment areas and the pending Mission Bay project, which underscores the critical importance of maximizing affordable housing in these areas. The other half are expected on public land, scattered vacant parcels, and in higher density inner city residential districts, especially Van Ness Avenue, Rincon Hill, and the South of Market.

While more detailed analysis in the upcoming Residence Element may identify additional capacity in some areas, like South of Market and the neighborhood commercial districts, the overwhelming conclusion of the housing opportunity analysis is that we are rapidly approaching a land crisis, especially for affordable housing. It is imperative to immediately identify and create substantial new residential opportunities on land not currently zoned residential, and to simultaneously reduce speculation in land.

DEVELOPING AND ENACTING INNOVATIVE LAND USE CONTROLS

The development of affordable housing on housing opportunity sites will be largely dependent on the enactment of new zoning tools in currently non-residential areas. The Committee recognized three categories of future affordable housing opportunity sites, and has made recommendations for appropriate "affordable housing inclusion" zoning controls for each type.

The requirements for the first category, publicly held land, must be the highest. Currently, many city departments and agencies that control land see it primarily as a financial asset, and the Committee feels that the current estimated potential of 1,800 units of housing on public sites may reflect only the desire to sell prime sites for other uses. Even when sites are made available for housing by the city departments, the land has been occasionally sold at a very high value, which simply requires money from other government sources to repay the land costs. With so little money for housing coming from outside sources, the policy of trying to get maximum price for public land while trying to use that land to meet a public purpose is self defeating.

In the second category, privately held land not currently zoned residential, the Committee supports the imposition of affordable housing requirements and incentives as a justifiable tradeoff for the increased land value that results from the public action of rezoning. Land in this category, including Mission Bay and portions of the industrial districts on the eastern side of the city, could represent the major land resource areas for affordable housing for the next 20 years. City Planning estimates that there are 90 acres outside Mission Bay of underutilized sites suitable for housing.

In the third category, privately held land with development potential for 20 units or more which is currently zoned residential, the Committee sees a more limited legal or economic justification for requiring affordability without also giving a corresponding increase in development potential. Although sites in this category represent the least affordable housing potential, The Committee feels they must be included to maximize our effort, and to accomplish the social goal of encouraging a diversity of incomes and housing types. In the eastern flatland areas of the City, where land costs tend to be lower, City planning estimates there are 800-1000 vacant parcels on 30 - 50 acres with housing potential.

PRIORITIZING DEVELOPMENT OF STANDARDS AND REVIEW OF AFFORDABLE HOUSING

The Committee examined both the availability of land, and the current system of land use controls as part of its investigation. The Committee also looked at past and present construction activity, and other economic aspects of affordable housing development, as well as the articulated public concerns that are being raised regularly at the Planning and Redevelopment Commissions.

The Committee concluded that despite strong public policy to maximize affordable housing opportunities, there has not been a comprehensive implementation of clear regulations and incentives to support responsible development of affordable housing. The Committee also discovered that both neighborhood spokespersons and project sponsors found the review and approval process at the Planning Department to be cumbersome and time consuming.

The Building Department by contrast has been praised for its improvement in efficiency and accuracy, and its greater access to the users and the public. While recognizing the important distinction between the roles of the respective agencies, it is acknowledged that the permit review process due to the length of Planning Department review has imposed costs on housing development, without yielding an increase in public or user satisfaction.

The Committee agreed with both the community perspective and the development perspective that some aspects of the Planning Code, in particular the Planned Unit Development section, actually contributed to speculation in land prices, uncertainty regarding development potential, and arbitrary or absent criteria for determining the suitability of proposed projects.

A study of sample PUD projects revealed that the overwhelming majority of them ended up being approved or constructed at the density of the surrounding neighborhood. Many of them offered affordable units or some public amenities in order to gain support. This was often the result of protracted and time consuming negotiations between citizens and developers, after initial proposals at substantially higher density, with no public amenities.

Anticipating even more reliance on large parcel development as a means of achieving affordable housing, the Committee expressed a concern for a revamping of all code provisions related to larger developments, to increase certainty to all parties involved, and to give the public a more accurate way to evaluate the impact of potential development in their neighborhoods. Residential guidelines for large parcel development must include not only visual design guidelines, but standards for both on-site amenities and expected neighborhood amenities.

This revamping should also include devising a more accurate and equitable means for determining the environmental impact of alternative housing development scenarios than the current bulk and density regulations provide. Current "density" calculations do not accurately or equitably reflect the likely population impact of residential development, due to the use of a "unit" for the basis of all requirements. A "unit" can be anything from a 250 sq. ft. studio occupied by one person to a 1500 sq. ft. 4 bedroom house

occupied by 4 to 8 persons. Neither do current density calculation equate to building scale. The current zoning acts to discourage smaller, affordable units in lower density neighborhoods because the density and scale requirements of the code are biased toward maximizing the building envelope potential within a fixed number of units. Conversely, the system works in higher density zones with fixed height and setback limits to encourage the production of more studios and one bedroom units, and discourage family housing, in order to fill up the building volume with the most units.

Neither the public, nor housing are well served when the Planning Code treats widely different kinds of development as equal, and where affordable housing, especially for larger households is inadvertently discouraged or inaccurately portrayed.

If the public is expected to support a major effort to create new affordable housing, then it must also be involved in establishing appropriate guidelines and planning code revisions to encourage the high design quality and responsiveness to neighborhood context. If the developers of housing are expected to produce more affordable housing and provide certain amenities, then development guidelines and the Planning Code must be more consistent and the administration of the Code more predictable.

RECOMMENDATIONS

OBJECTIVE I: Create More Housing Opportunity Sites for Affordable Housing

1. Identify publicly owned land suitable for residential development, and establish zoning potential to maximize affordable housing on these sites. Except where required for other public purposes, public land in conjunction with other financial subsidies should be committed to maximum affordable housing development.
 - a. The Planning Department should examine the underutilized potential on all public sites whether currently vacant or not.
 - b. The suitable housing potential for these should be established in conjunction with other compatible uses. This should include identification of current or proposed public structures suitable for the development of housing through transfer of development rights, or air rights. Especially link development of new parking lots and garages to new affordable housing development.
 - c. The evaluation shall include options for joint development or relocation of current facilities to other sites. Enact zoning controls and other agreements to allow public entities to continue their overall mission while also maximizing the housing resources and minimizing the land costs associated with future development of public land.

- d. Give priority to immediate development of those public sites where 100% affordable housing is achievable.
2. Adopt requirement to achieve the provision of a minimum of 10% on any parcel and an average of 20% affordable units for all residential development containing more than 10 units in the rezoning of current non-residential land to residential use. Allow for the transfer of affordable housing credits within the vicinity. Calibrate the affordability requirement and a compensating incentive consistent with the acceptable height and bulk for the area.
3. Allow an optional density bonus of up to 20% above the maximum allowable density for any other residential development containing a minimum of 10% affordable housing by Conditional Use Approval.
4. Revise all density bonuses that are part of the current Planning Code to give incentives only to achieve affordability.
5. Expedite rezoning of non-residential land on the eastern side of the city to residential zones which mandate a minimum affordable housing requirement. Perform area EIR with sufficient detail to eliminate need for subsequent project EIRs on residential development in these areas. Coordinate with city land banking efforts in these districts.
 - a. South of Market permanent controls
 - b. South Van Ness Area
 - c. Inner Mission/Showplace Square Area
 - d. Central Waterfront Area
 - e. Bayshore/Third Street Corridor Area
6. Identify strategic housing development areas where city initiatives to achieve mixed use or multiple site development may be required to accomplish neighborhood improvement.

These might include, for example:

 - a. Sixth Street Corridor
 - b. Select Public Housing Sites
 - c. Bernal Heights South/South and East Slopes/Farmer's Market Area
 - d. Select Bayview/Third Street Corridor Sites
7. Promote maximum affordable housing development along transportation corridors and above commercial uses in neighborhood commercial districts. Seek off-site parking solutions or reduced parking standards for Elderly, Handicapped, and Affordable Housing development with neighborhood participation in those areas.

OBJECTIVE II: Promote More Economical Housing Construction to Achieve Affordable Housing

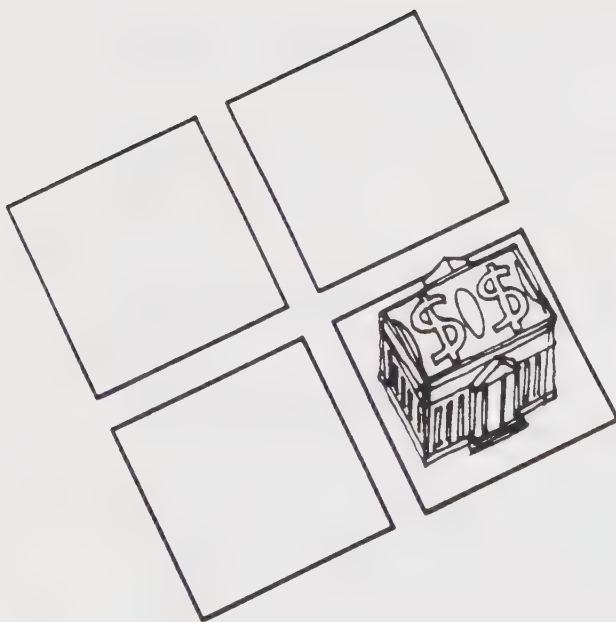
1. Develop compliance program for existing illegal units, coupled with strong economic penalties against new illegal units. (See discussion in Appendix)
2. Encourage the development of new secondary unit zones, including possible RH2s and RH3s, where this is consistent with existing neighborhood patterns and is supported by the residents. (Specific proposal still under development.)
3. Review Building Code standards to try to reduce housing construction costs. In particular, maximize the ability to construct medium density housing in wood frame construction, up to 5 stories in height, where allowed by height limits.
4. Adopt seismic code rehab. provisions coordinated with funding sources to maintain housing affordability.
5. Review and modify current minimum lot requirements where appropriate to encourage innovative affordable housing development.

OBJECTIVE III: Provide Consistent Planning Standards to Encourage the Highest Quality Housing and Neighborhoods

1. In recognition of the special character of RH-1 and RH-2 neighborhoods, tailor the zoning controls in these districts to the prevailing built patterns.
2. In all other new and existing residential areas, define a zoning envelop of appropriate scale as a basis for accepting and approving all residential proposals.
3. Provide zoning controls that promote compatibility with existing neighborhood scale and character while encouraging diversity of housing choices.
4. Establish objective criteria for the evaluation of proposed building designs that accurately reflect and measure the impact of projects.
 - (a) Differentiate criteria to be applied to small parcel development and to larger parcel development.
 - (b) Define and quantify the minimum requirements for on site and off site amenities for larger parcel development in advance of project review and approval.
5. Conduct post-construction evaluation of Planned Unit Developments and other representative larger parcel developments. Include a survey of the attitudes of adjacent neighbors, and the actual impact of such development, as compared to pre-construction findings. Incorporate on going evaluation of such development into future adjustments in the regulation of larger parcel developments.

OBJECTIVE IV: Improve Planning Review and Approval Process

1. Develop manual for residents and project sponsors that describes the planning process, especially for the pre-permit application stages. Include as part of the proposed code simplification process.
2. Without diminishing public participation, develop and implement through local administrative action or legislation, or if necessary seek state legislation, to expedite the administrative processing and approval of affordable housing projects, including:
 - (a) Shortening of time periods for environmental review under the California Environmental Quality Act (CEQA);
 - (b) Streamlining and consolidating the public hearing process and avoiding duplicative discretionary hearings and appeals;
 - (c) Prioritizing plan check and other administrative processing through the Planning Department, Bureau of Building Inspection, Redevelopment Agency and other public agencies with respect to applications for affordable housing projects;
 - (d) Adoption of neighborhood dispute resolution methods to minimize administrative appeals and judicial challenges of projects, and consequent time delays, and to mitigate neighborhood resentment and opposition to affordable housing projects.



C. **BROADENING FINANCIAL RESOURCES**
DISCUSSION

There must be an increase in the amount of local revenue invested in affordable housing to meet current and future housing needs. The public is concerned especially about some of the acute housing needs, such as homelessness, and recent polls indicate that local government should take some action regarding a variety of perceived housing issues. At the same time, the public is probably not aware that currently not one cent of our city's general fund of close to one billion dollars a year is spent on permanent housing.

We spend about \$10,000,000 currently in a combination of federal grants, developer fees, hotel tax, and redevelopment monies on housing annually, which leveraged with other resources, produces close to \$50,000,000 of affordable housing value a year. That housing value represents an asset which increases in value over succeeding years.

This must be compared to the cost of the City's Health Care system, which requires over \$300,000,000 in general fund money every year to operate. It costs us over \$100,000,000 per year to operate the Muni. Both of these services are vital to the city and deserve public support, while at the same time, increased investment in affordable housing must be also seen as deserving of public support. We are currently spending over \$50,000,000 in mostly local funds for a variety of programs to serve the homeless, yet not one dollar of this is being used to acquire or construct new affordable housing. The Committee therefore undertook the task of identifying financial resources that could be used to begin making a regular local commitment to affordable housing.

The Committee identified the following objectives for the responsible increase in local financial support for housing.

1. Increase existing resources for affordable housing.
2. Identify new financial resources for affordable housing.
3. Create new assured funding mechanisms for affordable housing.

Under the first objective, recommendations are made for increasing the amount of current resources that can be directed toward affordable housing.

In order not to take revenue away from other civic commitments, the recommendations under the second objective identify new potential sources for revenue, where there is a clear relationship between the source and increased support for affordable housing. While there may be many other potential sources of revenue that could be identified to increase the city's General Fund, the Committee focused on these sources so that in yearly budget analysis and recommendations, a clear link between the source and the commitment could be established.

The recommendations under the third objective identify mechanisms for strengthening the link between the revenue source and the funding of affordable housing activity, so as to create a predictable long term commitment of finances to affordable housing. If the public, and elected officials sincerely believe that a regular annual commitment to housing should be mandated, this area outlines means to guarantee that commitment.

The Committee recommends as a minimum the establishment of an Affordable Housing Trust which could become the initial mechanism for receiving all forms of revenue allocations. The Committee also recommends that the Public be asked to approve a minimum yearly dedication of \$30,000,000 over a 12 year period from the general fund beginning in 1990 to add to the initial portfolio of the Trust. The Trust should be established immediately, with the existing portfolio of all non-redevelopment housing assets, and should also be given a yet to be determined amount of land as part of the Mission Bay agreement.

The Committee also recommends the use of a contract between the city and the Redevelopment Agency for the tax increment allocations prior to the selling of tax increment bonds as a guarantee that the commitment to that amount will have equal standing with all other financial commitments made by the agency to other parties. The value of the contract should be established as part of financial assets of the new Trust.

RECOMMENDATIONS

OBJECTIVE I: Enhance Existing Revenue Sources for Affordable Housing

1. Maintain existing financial programs at maximum levels.
2. Maximize lobbying effort at State and Federal levels to protect existing programs and create new ones.
 - a. Federal and State low-income tax credits.
 - b. At-risk Section 8, 221d, 235/36 and similar HUD projects.
 - c. Renovation of existing Public Housing.
3. Review City charter and City and State laws including taxation and fee restrictions. Increase lobbying effort and joint metropolitan/statewide efforts to allow more creative revenue resources.
4. Establish a comprehensive City Financial and Debt Management system to raise additional funds or reduce debts for affordable housing. Annual goal: \$2,000,000
5. Create a San Francisco First Time Homebuyer Program for issuing certificates or second mortgages for purchases of affordable housing. Solicit initial capital and program support costs from local lenders.

OBJECTIVE II: Create New Sources of Revenue for Affordable Housing

1. Require the Redevelopment Agency to allocate 50% of its tax increment funds for low and moderate income housing construction or renovation over the next 12 years. Maximize the participation of community or constituency based non-profit housing development corporations for this effort. Housing funds may be applied to sites outside the jurisdiction of the Redevelopment Agency.
Annual Goal: \$10,000,000
2. Supplement State Seismic Rehab Program funds with locally generated funds for seismic and code related rehab. Provide through General Obligation Bonds totalling \$50,000,000 over 10 years. Provide technical assistance to building owners in packaging tax credits and utilizing other State and Federal financial programs.
Annual Goal: \$5,000,000
3. Reexamine the nexus of the OAHPP requirements to determine the adequacy of existing development fees for housing and make appropriate adjustments.
Annual Goal: \$ 0 - \$1.3 million
4. Create an Affordable Housing Trust, to centralize and develop funds for the acquisition of land and buildings for affordable housing.
 - a. The Trust would not undertake actual development, but would support "land and building banking, as well as constituting the central financial resources for specific projects."
 - b. The Trust should be professionally managed under the direction of the Housing Advisory Group, which would make allocation decisions.
 - c. The Trust would be managed to achieve better financial return on cash and debt management, and to actively solicit private sector contributions.Annual Goal: \$ 2,000,000 to \$7,000,000
5. Increase the Real Estate Transfer Tax as a new General Tax. Exempt units defined as affordable (after sale). Currently San Francisco's tax rate is \$5.00 per \$1,000 of value. The combined city and county tax rate in Oakland is \$10.60 and in Berkeley is \$11.10. The value of transfers in San Francisco in 1988 was a little over 4.7 billion dollars, which yielded 23.5 million dollars. An increase to \$11.00 would produce over 28.2 million dollars additional revenue. Annual Goal: \$ 28,200,000

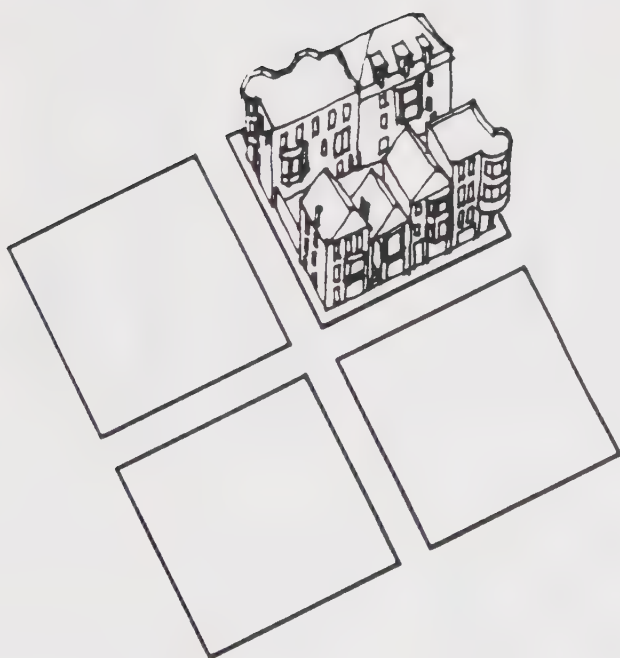
OBJECTIVE III: Provide New Mechanisms to Assure Long-term Financing for Affordable Housing

1. Request the Board of Supervisors to obtain voter approval for a guaranteed annual commitment to the San Francisco Trust for Land and Housing of \$30,000,000 per year, for a period of 12 years.
2. In conjunction with recommendation 1, establish a Housing Finance Agency with the ability to raise revenue for exclusive use for affordable housing and land banking. Determine appropriate revenue sources and seek necessary approvals to establish the Agency.

TABLE 1
FINANCING RESOURCES FOR AFFORDABLE HOUSING

Program	Source of Funds	Est. Annual Amount
EXISTING PROGRAMS:		
Housing Site Acquisition	Federal Comm. Dev. Block Grant	\$ 2,450,000
Comm. Housing Rehab Program	Comm. Development Block Grant	\$ 1,500,000
Rental Rehab Program	Federal RRP	\$ 1,700,000
Office-Affordable Housing (OAHP)	Office Developer Fees	\$ 2,450,000
Hotel Tax Fund	Hotel Occupancy Tax	<u>\$ 2,800,000</u>
	TOTAL EXISTING PROGRAMS:	<u>\$10,900,000</u>
POTENTIAL PROGRAMS:		
Tax Increment Funds	Tax Increment (Redevelopment)	\$10,000,000
City Seismic Rehab Program*	\$ 50 Million General Obligation Bonds	\$ 5,000,000 (for 10 years)
OAHP	(a) Lower Existing Fee Threshold to 25,000 sq. ft.	\$ 300,000
	(b) Adjust Fee and include comparable Development Fees on Port and Redevelopment land	\$ -0- to \$1,500,000
Affordable Housing Trust	(a) Cash & Debt Management	\$ 1,000,000 to \$ 2,000,000
	(b) Encourage Private Sector Contributions	\$ 1,000,000 to \$ 5,000,000
Real Estate Transfer Tax	Additional tax of between \$2 to \$6 per \$1000 above existing Real Estate Transfer Tax	<u>\$28,200,000</u>
	TOTAL POTENTIAL NEW PROGRAMS:	<u>\$45,500,000 to \$52,000,000</u>
	OVERALL TOTAL	\$56,400,000 to \$62,900,000

* To leverage State seismic rehab. funds, estimated \$2 to \$5 million per year.



D. EXPANDING HOUSING RESOURCES
DISCUSSION

The allocation of resources to acquire land and buildings, and to accomplish renovation and new construction, requires a clear set of goals and priorities, and a set of uniform standards, by which to encourage and evaluate proposed affordable housing development. The Committee recommends that the Housing Coordinating Group as proposed should be guided by a clear public commitment as outlined in the following recommendations, but with flexibility to determine how best to achieve these goals.

Within these overall goals, different agencies and departments may have different internal targets, but overall, adequate support for viable housing efforts must be maintained among them to achieve the recommended overall targets.

The Committee recommends goals for the total number of affordable units which will require some form of local financial support. The Committee also recommends a threshold minimum commitment of local resources to address the most urgent housing needs. The remaining local financial resources should be allocated according to the findings of the Annual Housing Report issued by the Deputy Mayor for Housing and Neighborhoods.

The Committee also recognizes the importance of increased non-financial resources, and financial resources that do not carry a long term public commitment. These resources can be sufficient on their own to provide housing for moderate income households as a part of mixed income developments, or in innovative ownership opportunities. These resources are also important to maximize the number of lower income units we can gain in conjunction with the use of all forms of financial resources.

The Committee has evaluated the annual housing needs for the next decade, and has established two options for a San Francisco Affordable Housing Action Program:

1. Achievable Housing Effort \$45 million annually 1900-2000 units
This option will meet the majority of identified needs, but also relies on some changes in Federal and State housing efforts, or only a partial meeting of future needs. This option relies on similar sources of new revenue as Option 1, although at a higher level. The Committee recognizes this as a financially achievable option with a likelihood of public support.
2. Preferred Housing Effort \$67.5 million annually 2900-3000 units
This option represents the actual local costs of meeting current unmet housing needs and future needs without dependence on increased State or Federal efforts. This option requires a greater public commitment to support of affordable housing, and depends on financial resources that are less reliable or likely to be less popular. The Committee believes this option to be the preferred option, while recognizing the greater commitment required by the public and its representatives in endorsing this option.

RECOMMENDATIONS

OBJECTIVE I: Define Affordable Housing

1. Establish uniform Affordability Standards for all developments required to provide affordable housing.
 - a. The Mayor's Office of Housing shall utilize HUD income categories and compute the maximum rental and ownership amounts for each income category annually.
 - b. These categories shall be used by all other City agencies and Departments. Existing ordinances with different standards shall be brought into compliance.
2. Establish Affordable Housing Goals to use resources for households with the greatest need.
 - a. Establish maximum income limits of households to be served by any housing programs requiring a financial subsidy.
 - b. Prioritize use of financial subsidies to lower-income households, especially those earning less than 50% of median income.
 - c. Use non-financial resources to encourage ownership opportunities for households earning above 120% of medium income, especially to achieve socio-economic diversity in new housing development.
 - d. Establish annual goals for average income of household to be served by programs where there is a financial subsidy.

	Maximum Income	Goal for Average Income
Rental Programs	80% of Median	60% of Median
Ownership Programs	120% of Median	100% of Median

3. Provide maximum long-term affordability for any projects receiving public subsidies, or where required by the Planning Code. The minimum term of affordability should be 50 years or the life of the project.

OBJECTIVE II: Establish Affordable Housing Priorities

1. Prioritize the allocation of resources to the preservation and improvement of the existing financially subsidized affordable housing stock. Include temporary relocation to assist tenants during major renovation costs.
2. Support an increase in the construction of new affordable housing.
3. Promote the development of mixed income housing and integrate special user housing into conventional housing, to achieve social and cultural diversity.

4. Maintain a minimum threshold of local financial assistance to address the most urgent housing needs.
 - a. Transitional and permanent housing for the homeless
minimum annual commitment: \$3 million (85 - 100 units)
 - b. Renovation and improvement of Public Housing.
minimum annual commitment: \$3 million (110 - 130 units)
 - c. Unreinforced masonry buildings housing very low income households
minimum annual commitment: \$2.5 million (150 - 175 units)
5. Develop adequate programs in cooperation with State and Federal agencies to assist HUD sponsored housing with expiring subsidies.
6. Establish five year goals for development of housing resources to meet the needs of special users. The special user category should include those individuals or households that require special physical design features, or ancillary social or medical service facilities and programs. Special users should be considered to include but not be limited to:
 - The Physically Disabled
 - The Mentally Disabled
 - The Developmentally Disabled
 - The Elderly
 - Households with Dependent Children
 - a. Adequately support efforts by potential sponsors to identify and develop sites and buildings for special users. Promote cooperative efforts between social service agencies and housing providers to develop special user housing.
 - b. Reduce institutional barriers to the development of innovative housing, such as cooperative ownership.
 - c. Utilize local funds where required to encourage innovative forms of housing which are not supported by conventional programs or lenders.
7. Develop occupancy criteria which insures that special housing unit types are occupied by the intended user group. Give preference to households with dependent children in rental or sale of multiple bedroom units.

OBJECTIVE III: Preserve Existing and Future Affordable Housing

1. Provide adequate enforcement procedure and mechanisms to maintain affordability requirements.
 - a. Develop standard affordability restrictions which allow for effective monitoring and enforcement. City housing agencies and the City Attorney's Office must devote adequate resources to monitor compliance and administer sanctions against non-compliance.
 - b. Establish an affordable housing monitoring program with an adequate fee system to financially support all monitoring costs.
 - c. Consolidate monitoring for condominium conversion units and any subsequent requirements mandated by the City Planning Department at the Mayor's Office of Housing. Coordinate the monitoring activities of the Redevelopment Agency and the Mayor's Office of Housing.

- d. Stipulate stiff penalties for non-compliance and allow third party legal action to create strong economic disincentives against loss of required affordable housing units.
2. Extend anti-conversion ordinances to eliminate loss of apartments to "corporate suites" or de-facto hotel use. Enact penalty provisions and third party legal action rights to create strong economic disincentives against housing conversions. (See Appendix discussion)
3. Expand and strengthen the Condominium Conversion Ordinance to include regulation of partnership occupancy of multi unit buildings. Provide clearer guidelines for allowable reduction of rental housing units including tenant compensation measures.

OBJECTIVE IV: Support New Affordable Ownership Programs

1. Broaden first-time homebuyer programs, including development of a 2nd mortgage loan pool or other appropriate mechanisms to assist buyers meet down-payment requirements.
2. Support and assist tenant sponsored cooperatives or condominium conversions with adequate long term affordability guarantees for non-participating renters to remain. Incorporate provisions into revised Condominium Conversion Ordinance.
3. Encourage private sector sponsors to offer units in multi-unit developments to City or non-profit sponsors as potential affordable housing if subsidies are available.

TABLE 2
HOUSING RESOURCE ALLOCATION OPTIONS

The following table indicates a range of options for the use of local financial resources. The Table does not indicate the direct or indirect value of non-local resources that will be required to produce the anticipated number of units.

In addition to local financial resources, affordable housing can be developed utilizing some mechanisms that do not require long-term local revenue sources:

1. Mortgage Revenue Bond Programs
2. First Time Homebuyer Programs
3. Tenant Sponsored Cooperatives and Condominium Conversions
4. Land Controls and Incentives

It is anticipated that the administrative costs for these four programs should be substantially covered by fees to make them essentially cost-free (in local dollars)

ANNUAL ALLOCATION ALTERNATIVES

<u>Category</u>	1. <u>Achievable Effort</u>		2. <u>Preferred Effort</u>	
	<u>Housing Units/Amount</u>		<u>Housing Units/Amount</u>	
1. New construction	Varies			
a. subsidies			800	\$26 mil.
b. zoning incentives			200	-0-
2. Rehab	<u>Varies</u>		<u>715- 990</u>	<u>\$20 mil.</u>
SUBTOTAL	1330	\$31 mil.	1715-1990	\$46 mil.
3. Homeless	85-100	\$3 mil.	100-120	\$4 mil.
4. Public Housing	110-130	\$3 mil.*	130-165	\$4 mil.*
5. Seismic	250-320	\$5 mil.	375-480	\$7.5 mil.
6. HUD expiring subsidies	85-100	\$3 mil.*	110-130	\$4 mil.*
TOTAL	1860-1980 units \$45 mil.		2430-2985 units \$65.5 mil.	

* Commitment of these local funds should occur only after exhausting all State or Federal remedies.

7. IMPLEMENTATION

The Committee recommends that the Mayor seek initial public response to this Draft Document by requesting the Mayor's Housing Advisory Committee to hold a Public Informational Forum. The Committee shall involve the Planning Commission, the Redevelopment Agency, and the Land Use and Finance Committees of the Board of Supervisors and other appropriate agencies, and encourage staff to attend the public hearings on the report.

The Mayor should also request the City Attorney and the Budget Analyst to evaluate the alternate recommendations, and identify the legal and fiscal requirements and restraints regarding potential implementation of each recommendation.

The Mayor in conjunction with the President of the Board of Supervisors should identify those recommendations that, pending public comment and with the cooperation of the respective Commissions, could be jointly drafted into legislative form and made subject to expeditious public review and approval.

The Adoption of part or all of the recommendations as the Affordable Housing Action Plan will require the following stages:

Stage 1. Public review and comment on the Draft. 6 to 8 weeks

- * Review and appraisal by staff of agencies in the Housing Delivery System. Staff are to develop draft timeline and procedural analysis for including the Plan as a priority work program.
- * Review and comment by public, incorporating supplementary findings from the Planning Department as part of the Residence Element hearings and workshops.
- * Acknowledgement of appropriate portions of plan as interim operating policy by the Executive Branch prior to complete legislative enactment.
- * Immediate adoption of appropriate measures requiring no legislation or public review.

Stage 2. Incorporation of comments into Final Report. 4 weeks

Stage 3. Public review and comment on the Final Report. 6-8 weeks

Stage 4. Adoption of recommendations by appropriate agencies and legislative bodies. 4-52 weeks

- * Priority drafting of individual legislation by appropriate agencies.

- * Courtesy review of all proposed legislation by Mayor and Deputy Mayor for Housing and Neighborhoods.
- * Coordinated public review and approval of respective legislation by appropriate commissions and legislative bodies.
- * Formal adoption of entire San Francisco Affordable Housing Action Plan.

8. CONCLUSION:

AFFORDABLE HOUSING IN SAN FRANCISCO

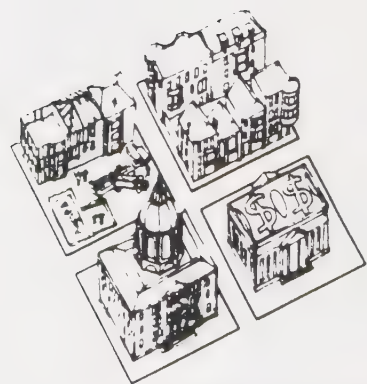
A FRAMEWORK FOR NEW RESOURCES

The job development in the City that is predicted for the next ten years depends on being able to provide a work force at a wide range of income levels. A continuing shortage of affordable housing within the City jeopardizes our ability to maintain and attract the workforce of the type required for business and industry and for our civic and cultural services. As people seek less costly housing in remote communities in the region, this places enormous strains on the regional transportation system. Affordable housing for secretaries, office workers, service workers, and blue collar employees is not a luxury but a necessity for the City's future economic well being.

Additionally, housing affordable to public and quasi-public employees is essential to the provisions of public services. If teachers, nurses, hospital workers, police, fireman and other City employees can not afford to live in San Francisco, the long run consequence is a significantly higher cost for providing services that both residents and employers can depend on.

Finally, affordable housing is essential to the long-term vitality and spirit of the City. Much of what makes San Francisco attractive is its diversity of income groups, ethnic groups, and types of residential environments. Maintaining this diversity is both desirable on a City-wide scale and for individual neighborhoods. Without increased public effort, the City will provide for an increasingly narrow segment of the Bay Area's population. Therefore a commitment to affordable housing should be seen as an investment in economic growth, public services, and the future of the residents of San Francisco.

The Mayor's Housing Advisory Committee respectfully submits this Affordable Housing Action Plan to the citizens of San Francisco as policy and programs to help insure that future.



Appendix

APPENDIX

ADDITIONAL ISSUES.....	75
DIMENSIONS OF THE HOUSING PROBLEM.....	81
LOSS OF RENTAL HOUSING.....	88
BAY AREA HOUSING PRODUCTION.....	90
BMR/INCLUSIONARY HOUSING PRODUCTION.....	92
THE AMERICAN DREAM.....	93
SAN FRANCISCO 1989 AFFORDABLE HOUSING GUIDELINES.....	94
SAN FRANCISCO HOUSING PRODUCTION - LOW/MOD UNITS.....	97
SUMMARY OF CURRENT AFFORDABILITY RESTRICTIONS.....	104
AFFORDABLE HOUSING DEVELOPMENT COSTS.....	106
SAN FRANCISCO APARTMENT BUILDING SALES.....	110
RESIDENTIAL DENSITIES.....	112
PENDING AREA PLANS WITH POTENTIAL HOUSING SITES.....	113

9. APPENDIX

ADDITIONAL ISSUES

The Committee identified additional issues that were determined to be relevant to maintaining existing affordable housing, but for which there was insufficient data to make final recommendations. The two issues are:

1. the development of an amnesty program for "illegal" housing units, and
2. the regulation of owner occupancy by owner-partners of multiple unit buildings, where existing tenants are being displaced.

Both of these issues also would be more appropriately discussed with the participation of neighborhood, landlord, and tenant representatives.

The Committee did attempt to add its own perspective to these issues, and recommends that both deserve to be addressed through the Residence Element hearings. The Committee encourages citizen groups concerned about these issues to formulate their suggestions after the necessary data becomes available.

AMNESTY PROGRAM FOR ILLEGAL HOUSING UNITS

City Planning is attempting to document the number of illegal units, including trends to create new ones, versus trends to remove them. Current estimates range from 15,000 to 30,000 units, with the most widely used estimate being 20,000. There is currently not enough reliable information to correlate the rental price(affordability), the condition (building and fire code), and the environmental impact(parking and yard requirement) of the "illegals".

The physical conditions of illegal units range from hazardous and uncorrectable (eg. ceiling too low, insufficient light and ventilation, egress through a garage) to fully up to building code (eg. converted utility rooms in post 1960's buildings), but lacking compliance with the off street parking requirement of the Planning Code.

They exist frequently in RH-1 (single family) zones, and in some RH-1 neighborhoods, they are so prevalent as to constitute a de facto RH-1s or RH-2 district. There are also a substantial number in RH-2 and RH-3 districts. Some of the illegal units within these zones would be allowed under current zoning regulations, but were installed without proper permits. Others contribute to an excess density above the allowable by one, two, or more units per building.

It is generally acknowledged that the illegality of a unit which has been created inexpensively within the unutilized portion of an existing building, correlates to less expensive rental housing. The illegal units constitute a major supply of affordable housing, especially for seniors. As there is a preponderance of them at ground floor level in one and two unit buildings, they also represent a significant stock of potentially accessible housing for both seniors and the disabled.

It is assumed that the cost of bringing these units up to a minimum housing code level would be low enough in the aggregate to represent one of the least costly forms of investment in creating sound affordable housing. Finally, they offer housing within a neighborhood context that provides amenities for the occupants and association with members of the community which cannot be duplicated.

Informal discussions with some community and renter groups revealed a divided opinion as to whether occupants of illegal units are more or less subject to loss of housing units than occupants of legal units. However, there is concurrence that both the increased activity of "vigilante groups" turning in owners of illegal units, and the loss of units as new owners convert back to larger single family units, are growing trends. Currently, it is estimated that there are over 1000 requests for the removal of illegal housing units, none of which were initiated by the Building Department.

Furthermore, there is divided opinion both within the real estate community and among housing advocates as to whether the presence of illegal units significantly lowers the asking price of buildings as compared to equivalent buildings with legal units. This issue has been raised in the context of a concern that an amnesty program would result in higher housing costs both to the occupants of the units given amnesty, and to the future buyers of the houses that contain those units.

In response to part of that concern, it has been determined that, disregarding all other factors such as the quality of the unit or the neighborhood, appraisers and mortgage lenders do place a higher value on legal secondary units than illegal ones because they represent more assured income potential to buyers. This potential income can be credited to the buyer's overall income for the purposes of qualifying for a loan. Lenders are not likely to count the potential income from illegal units, as they are subject to removal. It has been concluded by some that the credit for the income of a legal unit can make the difference for some buyers between qualifying to buy a house or not.

The Committee noted that the argument has been made by some that legalization of units will push up housing prices further, while the other argument heard states that the market establishes the rental rate for secondary units, and in many areas the amnesty will not appreciably effect the rental price. If this is true, then it might be concluded that the amnesty program could make it easier for purchasers with a certain income to qualify at the slightly higher price with the legalized unit versus the lower price with the illegal unit, due to the difference in lender treatment of income potential for the unit.

The Committee agrees that a more complete analysis of the types and locations of illegal units, their impact on housing costs (both to the occupants of the units, and to the owners of the buildings they are in), current and future trends, and suitable locations to encourage new secondary units, should all be incorporated into the Residence Element research and work program.

The Committee did conclude that if the issue is not addressed, the City is likely to see a continued loss of affordable secondary units due to the independent actions of owners and neighborhoods. The households affected then seek alternative affordable housing elsewhere, in a market that is already unable to supply enough suitable affordable housing. The City must consider the aggregate social and economic costs to the City of this activity, and some form of an amnesty program appears to be a reasonable way to address this problem.

The Committee also agreed as to what the major components of any "amnesty" program should be:

1. Amnesty should occur voluntarily, or at the time of sale of the building, whichever comes first. This will allow for the financing of any required code improvements to be obtained under the most favorable financial conditions.
2. Amnesty should require compliance with the provisions of the building code relating to fire safety and sanitation only. (For example, The costs of correcting low ceiling heights or small window areas is great, without actually contributing to any increase in the occupants safety or health.)
3. Amnesty should require either compliance with parking requirements or a "fine" of (\$5,000?) to be paid to the Affordable Housing Trust. The fine could be paid over a 5 year period.
4. Amnesty should require all legalized units to be subject to rent control regardless of occupancy of the other portions of the building. The base rent used for the regulation should be the rent at the time of the enactment of the amnesty ordinance, with escalation allowed as under the rent ordinance to the time of actual application for amnesty by an Owner.
5. The city may select certain areas for a trial amnesty program. Amnesty may be more suitable as part of a general rezoning of areas with a preponderance of illegal units, to reflect the actual as-built density of the area. Amnesty may also be instituted subject to a petition of a percentage of the property owners of a block, or other logical demonstration area.
6. The City should establish a loan pool to assist low and moderate income homeowners to legalize their units.
7. The City should stipulate a fee for the removal of an illegal unit, if an owner chooses this action. The fee should reflect the hardship incurred by the tenant in seeking equivalent housing elsewhere. The city should additionally assist low and moderate income tenants who are displaced to find comparable affordable housing elsewhere. Provisions should be made for the appropriate notification for affected tenants.

EXTENSION OF THE CONDOMINIUM CONVERSION ORDINANCE and REGULATION OF TENANCY-IN-COMMON PARTNERSHIPS

This discussion is in addition to the recommendations in section D: The current condominium ordinance is due to expire in December. The ordinance should be rewritten to address both acknowledged inadequacies, and emerging trends in owner occupancy of multiple unit buildings. The ordinance should be rewritten with the participation of the City Attorney's Office, The Mayor's Office of Housing, the Planning Department, and the Land Use Committee of the Board of Supervisor's. Some of the issues to resolve are:

1. Preventing the loss of affordable condo units due to failure to find a qualified buyer within 90 days. Some options:
Give the city the right of first refusal for the resale of any units required to be affordable, and have a loan pool available to achieve this. Encourage the realtor community to assist in identifying and qualifying buyers for such units.
2. Mitigating the loss of affordable rental housing as owner-partners occupy units (prior to condo conversion application).
An increasing numbers of individuals are seeking ownership opportunities as partners in multiple unit buildings, especially those containing between 2 and 9 units. Units in buildings of this type represent one third of our entire housing stock and over 40% of the rental units in San Francisco. As partners are purchasing with the intent of occupancy, existing tenants are being evicted to accommodate them.

Over 600 evictions for owner occupancy were filed last year. Many of the evicted tenants are of low or moderate income, and the consequences of the eviction can be large increases in housing costs to the evicted tenants, combined with unpredictable legal costs to the new owners.

City Planning may be able to further quantify this phenomenon, although recent press articles and informal conversations with both housing groups and some realtors already indicates a rising trend due to the escalating costs of single family ownership.

There were 500 applications for the condo conversion lottery this year. There is a sense that the rise in condo conversion applications is related to the increase in tenant in common partnerships, which having evicted prior tenants to gain occupancy, are taking the next step in gaining individual ownership of their own units. This can be characterized as a "two-step" conversion of rental units to condos, a process not regulated fully by the current ordinance. The current condo conversion regulations only recognize and govern the second step. The two steps need to be both addressed and regulated.

The Committee recommended exploration of an expansion of the Condominium Conversion Ordinance to address this activity based upon data made available as part of the Residence Element research. The Committee offered some initial suggestions for components of the revised Ordinance:

- a. Impose a fee for eviction for purposes of occupancy by a less than a (20%?) partner. The fee could be financed over time, paid into the Affordable Housing Trust, paid directly to tenant, etc. The purpose of the fee would be to regulate and mitigate the impact of the loss of rental units. The fee should represent the impact of eviction on the tenant, and would then be factored into the cost of and financing of acquiring multiple unit buildings.

The following factors would need to be determined:

What is an appropriate fee? Should the fee be based on the number of tenants in a unit, and should it be factored by the income of the occupants? Should the number of such evictions be limited annually? Should this activity be linked to a corresponding production of new affordable rental housing? Should or will an eviction for occupancy fee system abrogate the rights or abilities of landlords and tenants to seek other relief?

- b. Impose a fee for conversion of a rental unit to a condominium unit commensurate with the economic value of the conversion. The current fee is quite low given the immediate and substantial increase in value to the property that is rendered through the granting of conversion by the City.

The fee could reflect the actual value conferred, such as one calculated on the difference between the preconversion value, and the market value upon conversion. As an alternative, there could be an initial fee, and a subsequent one at the time of first resale, based on the appreciation of the unit. The City could use a lien against the property to secure payment of the fee into the Affordable Housing Trust. As a second alternate, the City could impose a variable rate fee that is high if a unit is resold within a year, and proportionately reduced in each subsequent year, to discourage speculation.

- c. Give the City the right of first refusal on ANY condo unit at first resale in buildings with five or more units (all buildings?). The City could elect to place a qualified buyer in a unit at the asking price minus the fee described above, if the seller is required to pay such a fee.

3. The purpose of the regulations should be to:

- a. Support the ability of existing long-term tenants to achieve ownership opportunities, but not at the expense of other tenants.
- b. Recognize the conflict between existing tenants and new owner-partners in meeting their individual housing needs. Clarify the responsibilities and costs of giving the Owner-partner the right to occupy.

- c. Regulate the occupancy of rental units by occupying partners where that activity is resulting in the eviction of tenants, especially low and moderate income tenants.
- d. Capture part of the increased value of those units which are permitted to be converted to condominiums, in order to support affordable housing activity.
- e. Devise regulations and a fee structure which operate to discourage short term speculation, promote retention of affordable units, and encourage price moderation in subsequent resales.
- e. Develop a system for the payment of required fees which allows for the financing of the fee to be most easily borne absorbed by the owner.
- f. Direct all fees to assist displaced low and moderate income tenants, and to promote the construction and renovation of long term affordable housing.
- g. Regularly evaluate and adjust programs and fees to maintain a balance between encouraging appropriate forms of ownership opportunities while preventing a net loss of affordable rental housing.

DIMENSIONS OF THE HOUSING PROBLEM
1980 - 1986 (7 YEARS)

February 16, 1988

1. THE DEMAND FOR HOUSING IS FAR OUTSTRIPPING THE SUPPLY

A.	Total Housing Demand	7 Year Total
	Citizens Housing Task Force Estimate	21,000 Units
	Downtown Plan & Residence Element Estimate	10,500 Units
B.	Total Housing Supply Increase	
	Actual New Number of Units Produced	7,614 Units *
	Demolitions of Housing	- 1,048
	Authorized Conversions of Housing to Other Uses	<u>- 141 Units</u>
	Net Housing Gain	6,425 Units

2. THE DEMAND FOR AFFORDABLE HOUSING IS EVEN FURTHER OUTSTRIPPING THE SUPPLY

A.	Affordable Housing Demand = 55% of total =	11,550 (CHTF)
	1984 Residence Element Needs Estimate	or 11,775 (Res.84)

Affordable is defined as:

13% Very Low Income

10% Low Income

32% Moderate Income

Remainder is defined as:

45% Above Moderate Income

B.	Actual Affordable Housing Production Since 1980	2,300 Units
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(56% or 1,300 of these were completed by
Non-Profit Housing Development Corporations)

Affordable Housing Breakdown

66%	Multi-Unit Rental	1,520 Units
23%	Cooperatives	530 Units
11%	Single Family Ownership	250 Units

* of the 7,614 new units, only 1,300 or 17% were rental units

[note: references and additional comments are cited by section in appendix]

3. AS THE DEMAND FOR HOME OWNERSHIP INCREASES, MORE RENTAL UNITS ARE CONVERTED TO CONDOMINIUMS OR OWNER OCCUPIED

A.	Legal Condominium Conversions Recorded	3.244 Units (Res.86)
		8.864 (Housing Tenants Council est.)
B.	Evictions Due to Owner Occupancy by Existing or New Owners	? thousands ?

4. THE EXISTING SAN FRANCISCO HOUSING STOCK IS PREDOMINANTLY COMPOSED OF SMALL UNITS

A. 1980 Census Breakdown of Housing Stock

Unit Size			
1-2 rms	69.653	22%	1 & 2 room studios
3-4 rms	113.979	36%	1 bedroom. small 2 bedroom
5 rooms	63.322	20%	2 bedroom. junior 3 bedroom
6 or more rms	<u>69.654</u>	21%	3 bedroom or more
1980 Total	316,608		

5. NEW HOUSING IN SAN FRANCISCO IS PREDOMINANTLY FOUND IN MULTI-UNIT BUILDINGS

A. Comparison of Existing Housing to New Housing

Building Type	1980 Total	1980 - 1986	
Single Family	32.3%	844	11.1%
Two Units	12.6%	756	9.9%
Three - Four Units	10.1%)		
Five - Nine Units	10.7%)	1.433	18.9%
Ten Units or More	34.3%	4.541	60.1%
	316.608	7.574	*not including demolitions

6. SAN FRANCISCO IS PREDOMINANTLY A CITY OF RENTERS

A. 1980 Breakdown

		From 1980 - 1987	
Owner Occupied	33.7%	New Ownership Units	83%
Renter Occupied	66.3%	New Rental Units	17%

7. HOUSING DEMAND -- WHAT DO WE NEED BY THE YEAR 2000?

A. Predictions of Demand by Various Sources

	CITIZENS HOUSING TASK FORCE	DOWNTOWN PLAN	RESIDENCE ELEMENT	ACTUAL NET GAIN
YEARLY	3.000 units/yr	1,500 units/yr	1,500 units/yr	Av. 800 (1980-85)
1980-1985	15.000 units	7,500 units	7,500 units	Approx. 4,000
1985-2000	<u>45.000 units</u>	<u>22.500 units</u>	<u>22.500 units</u>	
TOTAL	60.000 units	30,000 units	30,000 units	

B. To meet pent up demand from 1980-1987, and meet future goals, we will need by year 2000:

53,300 units in 14 years	23,300 in 14 years
4,100 units/year	1,640 units/year

C. The Housing Production Projections for 1988 - 2000 fall short of even the minimum demand projections:

Affordability

Category:	Below 50%	50%-80%	80%-120%	Above 120%	Total
Total	+ 2.328	1.800	5.736	9.864	17.940

8. HOUSING LOCATION -- WHAT SITES ARE LEFT? (see revised June '88 est. next page)

A. We are running out of land, and the largest identified single resource requires the demolition of already existing units.*

Resource:	Potential:
1. Vacant Land	4,100 Units
2. Public Land	1,800
3. Redevelopment	6,790
4. Selected mixed residential-commercial use areas	
a. Van Ness Corridor	1,000
b. North of Market	1,000
c. Downtown	1,000
d. South of Market	2,000
e. Rincon Hill	3,700
f. Mission Bay	8,800
5. *Residentially zoned land developed at less than allowable density.	<u>27,000</u>
	Total 57,190 Units

B. There has been no inventory of possible Mixed Use sites, including land currently zoned industrial or commercial.

HOUSING OPPORTUNITY AREAS

June 1988 Estimate

LOCATION	POTENTIAL NEW UNITS
A. VACANT RESIDENTIALLY ZONED LAND	2,000
B. PUBLICLY OWNED LAND	2,350*
C. REDEVELOPMENT AREAS	
1. Y ¹ C	750
2. W. Addition A1	200
3. W. Addition A2	400
4. Hunters Point	0 *
5. Rincon Point South Beach	900
D. SELECTED MIXED RES-COM USE AREAS	
1. Van Ness	1,000*
2. North of Market	1,000*
3. Downtown	1,000*
4. South of Market	2,000*
5. Rincon Hill	2,500*
6. Mission Bay	8,000
E. RESIDENTIALLY ZONED LAND DEVELOPED AT LESS THAN ALLOWABLE DENSITY (REQUIRES DEMOLITION OR MAJOR ALTERATION)	10,000*
TOTAL	<hr/> 31,300 units

* Working Estimate. Subject to Revision

DIMENSIONS OF THE HOUSING PROBLEM: NARRATIVE SUMMARY

THERE IS INCREASED DEMAND AT ALL LEVELS

1. Growth in white collar, downtown S.F. jobs and upper middle income demand is inflating rents and prices for middle class housing stock.
2. The expanded service economy relies on low end jobs going often to immigrants. Limited incomes mean more overcrowding with many families living in small units or doubling up.
3. "Baby boomers" forming families want to continue to live in the city.
4. Middle class expectations of what they could buy or rent is based on comparable parents experience of 1950s & 1960s. This leads to great frustration.

THERE IS A DIMINISHING SUPPLY OF AFFORDABLE "STARTER" UNITS.

1. No neighborhood is declining in value in San Francisco (unique problem faced by no other American city).
2. Wages have fallen behind housing prices for region over last 10 years.
3. San Francisco is running out of land, and land prices are among highest in the nation.
4. Historically, construction costs have been highest in 48 states (due to workers cost of living, plus cost of materials).
5. Prop. 13 and other tax limits, plus federal cutbacks, have drastically reduced funds available to assist housing.
6. Regionally, due to land costs, the trend is to longer commutes, denser housing development, and smaller units.

THERE IS A "BACKUP" OCCURRING IN HOUSING MOBILITY WHICH HURTS THOSE WITH LOWER INCOMES GREATEST.

1. More people in the age bracket 25 to 45 want to stay in S.F. than historically is the pattern.
2. The competition for ownership opportunities means everyone is paying more for less space, if they can afford anything at all.
3. With single family homes out of reach for more than 75% of

all households. some people are buying 2 and 3 unit buildings together. This reduces the rental housing stock and evicts tenants.

4. Those unable to buy, stay in rental housing longer. "backing up" the amount of rental housing available to new residents and younger workers.
5. Most new construction has been for ownership housing, not rental housing.
6. With no vacancy control, affordability of rental housing is decreasing, probably faster than new affordable rental units can be built.

WE ARE RUNNING OUT OF LAND TO BUILD NEW HOUSING ON.

1. The scarcity and high price of land in "desirable" neighborhoods is resulting in the increase of demolition of small units in order to build 2 and 3 unit market rate flats.
2. The required long time lead and complexity of financing large public and redevelopment parcels means they cannot quickly respond to the current demand.

WE HAVE NO COMPREHENSIVE HOUSING PROGRAM TO CARRY US FORWARD TO THE YEAR 2000.

1. There is no accurate inventory of small and mid-sized lots zoned industrial or commercial that could accept new mixed use development.
2. Unlike some other cities, there is no mechanism for the city to assist nonprofit corporations to purchase potential sites quickly, as is often required by State and Federal programs.
3. Long term affordability has not been systematically extracted in return for financial assistance to for-profit developers doing partial "low-mod" housing.
4. Current zoning laws and landlord tenant laws do not adequately protect the existing affordable housing stock and its inhabitants.
5. There is no coordination between various city departments concerning all special user and affordable housing efforts. There is no coordination between planning, zoning, economic development and funding activities to create the disincentives necessary to protect the existing housing stock and the incentives to produce new housing where desired.

APPENDIX

References By Section

Item	Source	Abbreviation
1.	A. <u>Citizens Housing Task Force</u> . July 29, 1981 as cited on page 1.23, Table 21 of April 1983 Residence Element <u>Downtown Plan</u> <u>Residence Element</u> . June 28, 1984, page 1.22. Table 23	<u>CHTF</u> <u>D. Plan</u> <u>Res. 84</u>
	B. <u>Changes in San Francisco Housing Inventory</u> for 1986. June 1987 1. New Units - page 8, Table 1 2. Demolition - page 14, section G1 3. Conversions - page 14, section G2 4. Summary - page 15 (note discrepancy of nine units between summary and other figures)	 <u>Res. 86</u>
2.	A. Figures derived from CHTF & <u>Res. 84</u> Affordability Definitions - <u>Res. 84</u> , page 3.12, objective 5 B. Actual Production - <u>Res. 86</u> , page 18, 3. <u>New Construction</u> Non Profit Share - <u>Res. 86</u> , page 12 Affordability Breakdown - <u>Res. 86</u> , page 12 Footnote - <u>Res. 86</u> , page 18, 3. <u>New Construction</u>	
3.	A. Condominium Conversions - <u>Res. 86</u> , page 14 B. No Reliable Sources Available	
4.	A. <u>Res. 84</u> , page 1.11. Table 10	
5.	A. <u>Res. 84</u> , page 1.11. Table 10 compared to <u>Res. 86</u> , page 11. Chart 2	
6.	<u>Res. 84</u> , page 1.11. Table 10 & <u>Res. 86</u> , page 18.3	
7.	A. All figures derived from previous sections	
8.	A. <u>Res. 84</u> , page 1.26, Table 27 C. <u>Meeting San Francisco's Housing Need</u> , Draft Nov. 25, 1987 (Redevelopment Agency), page 15	

All estimates from above references have been adjusted to the years 1987 - 2000, unless otherwise noted. All figures have been rounded to the nearest 100 units, unless otherwise noted.

A. LOSS OF RENTAL HOUSING - 1970-87

DCP Housing Inventory Figures (July 1988)

Years	Units Certified Complete	Units Demolished	Annual Net Change
1987	1,553	127	1,426
1886	1,507	173	1,334
1985	1,568	105	1,463
1984	790	79	711
1983	1,400	233	1,167
1982	589	42	547
1981	780	288	492
1980	980	128	852
1979	1,516	114	1,402
1978	1,375	174	1,201
1977	1,616	136	1,480
1976	1,480	707	773
1975	2,495	439	2,056
1974	2,454	774	1,680
1973	1,578	925	653
1972	1,713	869	844
1971	1,497	557	940
1970	990	730	260
TOTAL	24,328	6,473	17,855
Average units per year: 992			

DCP Figures Adjusted for Some Known Conversions

# condos convtd.(1)	res. hotels convtd.(2)	homeless hotels (3)	Annual Net Change
150	n.a.	?	1,276
150	n.a.	1,000	184
150	100	800	413
150	100	n.a.	461
150	100	n.a.	917
824	1,976 *	n.a.	-2,253
947	600	n.a.	-1,055
981	n.a.	n.a.	-129
611	1,600	n.a.	-809
434	1,400	n.a.	-633
164	1,200	n.a.	116
113	1,000	n.a.	-340
236	800	n.a.	1,020
n.a.	n.a.	n.a.	1,680
n.a.	n.a.	n.a.	653
n.a.	n.a.	n.a.	844
n.a.	n.a.	n.a.	940
n.a.	n.a.	n.a.	260
4,910	8,876	1,800	2,269
Average units per year: 126			

(1) DCP/DPW figures 1975-87; Condo Conversion Ord. enacted 1982 limits conversions to 200 per year (average of 150/yr.).

(2) BBI/DAHI figures plus 100/year, 1981-85, allowed to convert by Redevelopment Agency.

(3) City converted residential hotels from permanent low-income housing to short-term homeless hotels (1,800 units 85-86).

* The City exempted, as "partially converted", 1,188 SRO units from compliance with the Res. Hotel Conv. Ordinance (1981-82).

Note: New "illegal" in-law units not counted in above calc., but few of those displaced from 10,500 SRO units moved into those "new" units.

	PROJECTED ¹ INCREASE	TOTAL NEED	SURPLUS/ SHORTFALL	AFFORDABLE UNITS BUILT	LOW INCOME NEED	PERCENT LOW INC. PRODUCED	HOUSING ELEMENT CERTIFIED
ATHERTON	83	111	-28	0	30	0%	NO
BELMONT	271	725	-454	10*	239	4%	NO
BRISBANE	25	535	-510	0	203	0%	YES
BURLINGAME	404	901	-498	0	333	0%	NO
COLMA	181	327	-146	0	114	0%	NO
DALY CITY	2,231	3,430	-1,199	80*	1,235	6%	NO
EAST PALO ALTO	128	668	-540	23	281	8%	NO
FOSTER CITY	2,441	1,832	609	95	568	17%	NO
HALF MOON BAY	516	1,583	-1,067	0	538	0%	NEAR
HILLSBOROUGH	284	336	-52	0	90	0%	NO
MENLO PARK	842	917	-76	93*	331	28%	NEAR
MILLBRAE	229	283	-54	no data	93		NO
PACIFICA	336	812	-477	43	268	16%	YES
PORTOLA VALLEY	212	259	-47	no data	70		NO
REDWOOD CITY	3,031	3,594	-563	172*	1,366	13%	NO
SAN BRUNO	530	286	244	64*	96	66%	NO
SAN CARLOS	940	1,129	-189	0	372	0%	YES
SAN MATEO	2,141	3,107	-966	246*	1,087	23%	YES
S. SAN FRANCISCO	908	2,166	-1,258	40	758	5%	NO
WOODSIDE	149	339	-190	no data	95		NO
SAN MATEO COUNTY	16,572	23,499	-6,927	994	8,218	12%	14 NO
CAMPBELL	3,856	1,716	2,140	8	635	1%	NEAR
CUPERTINO	2,300	3,386	-1,086	29	1,016	3%	YES
GILROY	2,615	4,079	-1,464	95	1,550	6%	NEAR
LOS ALTOS	1,184	510	674	20	148	14%	NO
LOS ALTOS HILLS	306	273	33	21	74	28%	NO
LOS GATOS	918	1,284	-366	114	437	26%	NEAR
MILPITAS	2,670	3,972	-1,302	73	1,271	6%	NO
MONTE SERENO	38	137	-99	0	39	0%	NO
MORGAN HILL	2,024	2,438	-414	145	829	17%	NO
MOUNTAIN VIEW	2,256	2,348	-92	481*	869	55%	NO
PALO ALTO	1,380	2,441	-1,061	95	830	11%	YES
SAN JOSE	43,624	49,556	-5,932	1,250	1,7344	7%	YES
SANTA CLARA	3,014	2,105	909	151	737	20%	NO
SARATOGA	578	1,073	-495	0	311	0%	NO
SUNNYVALE	6,958	5,047	1,911	474	1,715	28%	YES
SANTA CLARA CTY	61,066	80,755	-19,690	2,957	27,942	11%	9 NO
BENICIA	3,348	3,926	-579	80	1,492	5%	NEAR
DIXON	1,114	845	268	no data	347		NO
FAIRFIELD	6,822	7,124	-302	no data	2,992		NO
RIO VISTA	170	919	-749	47	377	12%	NEAR
SUISUN CITY	2,521	2,519	2	no data	982		NO
VACAVILLE	5,562	6,301	-739	321	2,520	13%	NO
VALLEJO	7,879	9,282	-1,403	286*	3,991	7%	NEAR
SOLANO COUNTY	28,345	31,932	-3,587	734	13,116	6%	5 NO
CLOVERDALE	294	1,178	-884	no data	530		YES
COTATI	768	616	152	no data	290		NEAR
HEALDSBURG	817	1,455	-638	80	655	12%	NEAR
PETALUMA	3,959	5,051	-1,092	287	2,122	14%	YES
ROHNERT PARK	5,416	3,060	2,356	168	1,316	13%	NO
SANTA ROSA	13,214	12,260	954	1,030*	5,395	19%	YES
SEBASTOPOL	457	495	-38	60	233	26%	NO
SONOMA	1,032	1,043	-11	133*	470	28%	NO
SONOMA COUNTY	32,665	34,020	-1,355	2,655	14,910	18%	3 NO
BAY AREA	273,661	313,787	-40,126	19,618	119,651	16%	

* Includes moderate income units

¹ Based on 1980-88 rate of increase in housing stock as reported by the California Department of Finance.
Source: ABAG, BAC

BAY AREA COUNCIL, 847 Sansome Street San Francisco, California 94111

BMR Policies Ease, but Don't Solve, Affordable Housing Problems

Searching for ways to provide affordable housing, one in five Bay Area communities has established "inclusionary housing" or "Below Market-Rate" (BMR) housing programs. But for most, the program contributes only a fraction of the number of units needed.

A Bay Area Council survey of 12 of the 19 current programs shows that over the last 15 years these programs have been responsible for the direct construction of some 1,389 affordable units, and have assisted in the construction of another 463 units. ABAG's fair share affordable housing goal for 1980 - 1990 in these communities was 10,575 units.

Inclusionary housing policies require developers to either make a certain percentage of housing units affordable for low- or moderate-income households, or pay a fee for each unit. Some cities charge for each square foot of commercial construction. In return, local governments usually give developers benefits such as density bonuses, reduced development fees on affordable units, and expedited approvals. Novato and Santa Clara County have voluntary programs that rely entirely on incentives.

The most common obstacles to the construction of inclusionary units are a lack of available land and growth control measures. Many communities with BMR policies, such as Berkeley and Palo Alto, do not have much developable land zoned for housing and are reluctant to convert industrial land to residential or increase existing residential densities. Others, such as Petaluma, limit the number of homes that can be built each year. However, Morgan Hill has had success giving projects with BMR units higher priority under its growth cap.

Inclusionary policies may discourage new housing construction in some areas. Cupertino dropped its inclusionary program because developers found the subsidy required for inclusionary units could not reasonably be spread among unsubsidized units. In other cities, de-

velopers cannot take advantage of density bonuses because they cannot meet other requirements, such as parking.

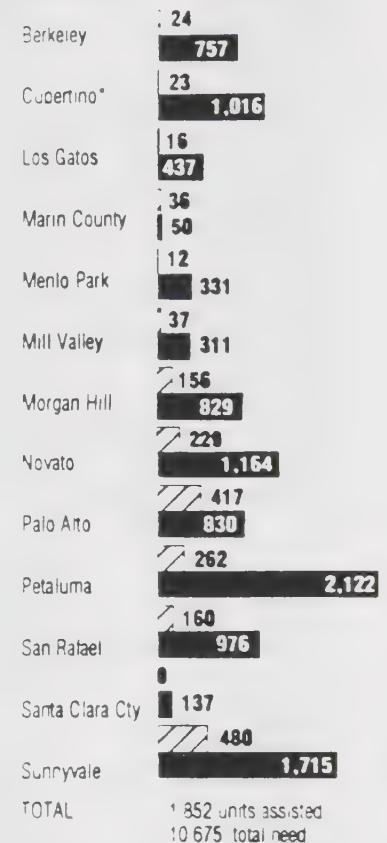
Nevertheless, several localities are considering creating inclusionary programs. Alameda County and San Jose are considering levying affordable housing development fees, and Redwood City is considering requiring developers to provide inclusionary units. Santa Clara County may revive its long-dormant voluntary program. Sunnyvale turned back a recent effort to replace its inclusionary program with in-lieu fees.

Local governments report that the effort required to oversee inclusionary requirements and to monitor the affordability of units through resales and re-rentals can drain staff resources. There are also difficulties in qualifying low-income buyers and obtaining mortgage financing. Consequently, some communities contract with housing authorities or non-profit groups to manage their programs.

Pricing for-sale units poses other problems. When interest rates are high, people who meet income requirements may not qualify for loans. When the resale price of inclusionary ownership units is controlled, people may not obtain enough equity to move into market-priced housing, but if they do benefit from appreciation the home may no longer remain affordable.

Inclusionary policies are not a cure-all, but they can be coupled with other tools, such as federal CDBG funds and redevelopment agency funding and powers, to help meet affordable housing goals. Ultimately, their success is inextricably linked to land use policy. The harder it is to develop housing in a locality in general, the more unlikely it is that inclusionary housing will make an appreciable dent in affordable housing need. Inclusionary programs, to be truly effective, must be coupled with aggressive efforts to increase land available for residential development and support for higher density development to increase the supply and affordability of housing.

BMR/Inclusionary Housing Production



low-moderate BMR units produced

Low income units needed, 1980-1990

* Discontinued program

BMR/Inclusionary Policies

	BMR Requirement	In-Lieu Fee per Unit	Commercial Fee per \$1
Berkeley	20%		(1)
Corte Madera	10-15%		
Larkspur	10-15%		
Livermore	10%	\$1,567	
Los Gatos	10-20%		
Marin County	10%	\$7,250	
Menlo Park	10%		\$53-133
Mill Valley	10%	\$3,400	
Morgan Hill	(2)		
Novato	(3)		
Palo Alto	10%	(4)	\$2.59
Petaluma	10-15%	\$2,400	
Pleasanton	(3)	\$400	
San Rafael	10%		
Santa Clara County	(3)		
Sunnyvale	20%		

(1) By size and employment; (2) BMR projects given priority; (3) Voluntary incentives; (4) Three percent of sale price

Sources: BAC, HCD
Research by Todd Bressi.

BAY AREA HOUSING PRODUCTION, 1980-1990

	PROJECTED ¹ INCREASE	TOTAL NEED	SURPLUS/ SHORTFALL	AFFORDABLE UNITS BUILT	LOW INCOME NEED	PERCENT LOW INC. PRODUCED	HOUSING ELEMENT CERTIFIED
ALAMEDA	2,327	3,161	-834	318	1,359	23%	NO
ALBANY	527	692	-165	0	312	0%	NO
BERKELEY	661	1,611	-950	441	757	58%	NO
DUBLIN	2,340	1,956	384	0	665	0%	NEAR
EMERYVILLE	1,006	1,221	-215	0	537	0%	NO
FREMONT	15,602	10,137	5,465	702	3,751	19%	YES
HAYWARD	5,982	5,535	447	635	2,269	28%	YES
LIVERMORE	4,015	4,311	-296	no data	1,595		YES
NEWARK	3,245	2,054	1,191	150*	699	21%	NO
OAKLAND	5,156	7,290	-2,134	869	3,426	25%	NO
PIEDMONT	42	177	-135	0	60	0%	NO
PLEASANTON	6,094	4,274	1,820	575	1,496	38%	NEAR
SAN LEANDRO	2,471	2,876	-405	179	1,208	15%	NO
UNION CITY	3,412	1,932	1,480	140	715	20%	NO
ALAMEDA COUNTY	57,197	50,815	6,382	4,280	20,284	21%	9 NO
ANTIOCH	6,010	5,507	503	no data	2,037		NEAR
BRENTWOOD	941	2,057	-1,116	no data	883		NO
CLAYTON	1,112	710	402	0	199	0%	NO
CONCORD	5,039	5,423	-384	no data	1,953		NEAR
DANVILLE	1,876	1,815	61	0	508	0%	NO
EL CERRITO	401	546	-145	no data	197		NO
HERCULES	2,912	3,145	-233	10	880	1%	NO
LAFAYETTE	1,333	590	743	0	189	0%	NO
MARTINEZ	4,051	2,882	1,169	270	1,008	27%	NO
MORAGA	556	1,248	-692	24	374	6%	NO
ORINDA ²	442	0	442	0			NEAR
PINOLE	850	919	-69	19	304	6%	NO
PITTSBURG	4,093	4,465	-372	313	1,697	18%	YES
PLEASANT HILL	3,572	3,074	498	236*	1,076	22%	YES
RICHMOND	4,211	6,396	-2,185	152	2,686	6%	NEAR
SAN PABLO	1,184	1,172	12	no data	515		NEAR
SAN RAMON	3,296	2,903	393	55	812	7%	NO
WALNUT CREEK	5,383	4,965	418	333*	1,738	19%	NO
CONTRA COSTA CTY	55,060	58,217	-3,157	2,498	20,593	12%	1 NO
BELVEDERE	18	42	-24	11	12	92%	NO
CORTE MADERA	403	758	-355	no data	243		NO
FAIRFAX	161	205	-44	93	76	122%	NEAR
LARKSPUR	274	982	-708	61	334	18%	NO
MILL VALLEY	643	916	-273	142*	311	46%	NEAR
NOVATO	1,831	3,528	-1,697	231	1,164	20%	NO
ROSS	14	72	-58	0	21	0%	NO
SAN ANSELMO	172	302	-130	18	108	17%	NEAR
SAN RAFAEL	1,410	2,713	-1,304	542*	976	55%	NEAR
SAUSALITO	212	213	-1	6	70	9%	NO
TIBURON	1,074	630	444	12	195	6%	NO
MARIN COUNTY	7,314	10,517	-3,203	1,176	3,561	33%	7 NO
CALISTOGA	160	137	23	no data	69		YES
NAPA	4,294	4,811	-517	44	2,021	2%	NEAR
ST. HELENA	185	786	-601	no data	361		NEAR
YOUNTVILLE	160	998	-838	8	469	2%	NO
NAPA COUNTY	4,932	9,197	-4,264	52	3,906	1%	1 NO
SAN FRANCISCO	10,511	14,833	-4,322	4,272*	7,120	60%	YES

* Includes moderate income units

¹ Based on 1980-88 rate of increase in housing stock as reported by the California Department of Finance.

² Not incorporated in 1983 when need figures were determined.

The American Dream— Going, Going, Gone?

- The median price of a home sold in the United States in April 1988: **\$87,700.**
- The monthly housing payment required to purchase a median price home in the United States: **\$680.**
- The minimum qualifying annual income needed to qualify for a median priced home in the United States: **\$27,203.**
- The percentage of U.S. households able to qualify for a median-priced home: **48**
- The median price of a home sold in California in April 1988: **\$157,033.**
- The monthly housing payment required to purchase the median priced California home sold in April 1988: **\$48,709.**
- The minimum qualifying annual income needed to purchase the median priced California home sold in April 1988: **\$52,873.**
- The percentage of California households qualifying for the median priced home sold in April 1988: **22.**
- The median price of a home sold in the Bay Area—excluding San Francisco—in April 1988: **\$188,976.**
- The monthly housing payment, including insurance and property taxes, required to purchase a median priced home in the Bay Area: **\$1,465.**
- The minimum qualifying annual income needed to qualify for the median priced home in the Bay Area: **\$58,617.**
- The percentage of Bay Area households that qualify to buy the median priced Bay Area home: **15.**
- The average price of a home sold in San Francisco in April 1988: **\$279,673.**

- The median price of a home sold in San Francisco in January 1988: **\$270,200.**
- The median price of a home sold in San Francisco in February 1988: **\$270,500.**
- The median price of a home sold in San Francisco in March 1988: **\$281,500.**
- The median age of the first-time U.S. homebuyer in 1977: **35.**
- The median age of the first-time U.S. homebuyer in 1987: **25.**
- The average price of a home sold in the



Bayview district in San Francisco: \$160,000.

- The average price of a home sold in the Sunset: **\$300,000.**
- The average price of a home sold in the Richmond: **\$300,000.**
- The average price of a home sold in the Excelsior: **\$200,000.**
- The average price of a home sold in Glen Park: **\$250,000.**
- The average price of a home sold in Po-

trero Hill: **\$275,000.**

- The average price of a home sold in Upper Market and Noe Valley: **\$400,000.**
- The average price of a home sold in lower Pacific Heights: **\$450,000.**
- The average price of a home sold in Sea Cliff: **\$700,000.**
- The average price of a home sold in Presidio Heights: **\$750,000.**
- The average price of a home sold in Pacific Heights: **\$1 million.**
- The price of the home purchased by San Francisco Mayor Art Agnos in the Upper Market neighborhood: **\$632,500.**
- The percentage of the Mayor's take-home salary that will be used to pay his monthly mortgage: **80.**
- The Mayor's annual salary: **\$112,000.**
- The average rent for a two-bedroom apartment in San Francisco: **\$875.**
- The percentage of families that can qualify for a two-bedroom apartment in San Francisco: **30.**
- The median annual household income in San Francisco: **\$29,100.**
- The average rent for a one-bedroom apartment in San Francisco: **\$695.**
- The percentage of single people that can qualify for a one-bedroom apartment in San Francisco: **42.**
- The median income for a single person living in San Francisco: **\$23,693.**

Sources: The California Association of Realtors, the San Francisco Board of Realtors, the Bay Area Council, the San Francisco Chamber of Commerce.

SAN FRANCISCO 1989 AFFORDABLE HOUSING GUIDELINES

A. RENTAL HOUSING

	<u>House- hold Size</u>	<u>Unit Size</u>	<u>Maximum Annual Income</u>	<u>Monthly Rent Payment</u>
<u>Very Low Income</u> (50% of Median)	1	St-1Br	\$17,350	\$434
	2	1-2 Br	\$19,800	\$495
	3	2-3 Br	\$22,250	\$556
	4	3-4 Br	\$24,750	\$618
	5	4 Br	\$26,750	\$669
<u>Low Income</u> (80% of Median)	1	St-1Br	\$23,800	\$595
	2	1-2 Br	\$27,200	\$680
	3	2-3 Br	\$30,600	\$765
	4	3-4 Br	\$34,000	\$850
	5	4 Br	\$36,150	\$904

B. HOMEOWNERSHIP HOUSING

	<u>House- hold Size</u>	<u>Unit Size</u>	<u>Maximum Annual Income</u>	<u>Monthly Housing Expenses</u>	<u>Maximum Sales Price</u>
<u>Low Income</u> (80% of Median)	1	St-1Br	\$23,800	\$654	\$55,379
	2	1-2 Br	\$27,200	\$748	\$64,775
	3	2-3 Br	\$30,600	\$841	\$74,072
	4	3-4 Br	\$34,000	\$935	\$83,467
	5	4 Br	\$36,125	\$993	\$89,266
<u>Moderate Income</u> (120% of Median)	1	St-1Br	\$36,960	\$1,016	\$ 91,605
	2	1-2 Br	\$42,240	\$1,162	\$106,159
	3	2-3 Br	\$47,520	\$1,307	\$120,634
	4	3-4 Br	\$52,800	\$1,452	\$135,149
	5	4 Br	\$56,100	\$1,543	\$144,245

* The actual price of any for rent on for ownership unit may vary from these standards depending on the costs and funding unique to each project.

1. Housing Affordability Definitions.

The Major's Office of Housing has adopted various definitions and terms used to describe housing affordability as follows:

Affordable rental unit: A unit whose rent equals 30% of the income of a household with an income at or below 80% of the HUD median income for San Francisco.

Affordable ownership unit: A unit for which the mortgage payments, property taxes, insurance and association dues equals 33% of the gross monthly income of a household earning between 80% and 120% of the San Francisco PMSA median income, assuming a 10% downpayment and a fix rate 10.75% 30 year loan.

Moderate income: Households with incomes at or below 120% of the HUD median income for San Francisco.

Low income: Households with incomes at or below 80% of the HUD median income for San Francisco.

Very low income: Households with incomes at or below 50% of the HUD median income for San Francisco.

Lower income: Refers to both "very low income" and "low" income households.

The table that follows shows the maximum income and housing prices for affordable housing based on 1989 median household incomes as determined by HUD for the San Francisco, Marin, and San Mateo PMSA. The median income in 1989 for a four person household is \$44,000, an increase from \$42,500 in 1988. The cost of an "affordable unit" depends on the size of the household, size of the unit, and funding program.

INCOME LIMITS FOR HOUSING PROGRAMS

SAN FRANCISCO SMSA

INCOME DEFINITION	INCOME MAXIMUM BY HOUSEHOLD SIZE							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Area Median				\$ 44,000				
2. Very Low Income: 50% of Median (Bond Programs)	15,400	17,600	19,800	22,000	23,750	25,500	27,280	29,050
3. Very Low Income (HUD Section 8/CDBG)	17,350	19,800	22,250	24,750	26,750	28,700	30,700	32,650
4. Low Income 60% of Median (Tax Credits)	18,480	21,120	23,760	26,400	28,500	30,625	32,740	34,850
5. Lower Income 80% of Median (Bond Programs)	24,640	28,150	31,700	35,200	37,400	39,600	41,800	44,000
6. Lower Income (HUD Section 8/CDBG)	23,800	27,200	30,600	34,000	36,150	38,250	40,400	42,500
7. Moderate Income (120% Median)	36,960	42,240	47,520	52,800	56,100	59,400	62,700	66,000
8. Middle Income (150% Median)	46,200	52,800	59,400	66,000	70,125	74,250	78,375	82,500

Source: U.S. Department of Housing and Urban Development

February 15, 1989

SAN FRANCISCO
HOUSING PRODUCTION -- LOW/MOD UNITS

1980 to 1988

PROJECTS/ SPONSOR/ TENURE	Very Low (50%)	Low (80%)	Mod (120%)	Market Rate (120+%)	TOTAL
1. Parkview Heights Single Family		40	80		120
2. Potrero & Mariposa (MHDC) Sec. 8 Rental	63				63
3. Guerrero & 19th St. (MHDC) Elderly Rental	27	12			39
4. 16th St. & Hoff (MHDC) Elderly Rental	33	16			49
5. South Van Ness & 25th (MHDC) Rental	11				11
6. Mission Park at Folsom Private Rental		26	104		130
7. 90 Bartlett Family Housing Section 8 Rental	50				50
8. 100 McAllister Rental/Handicapped Non profit	100				100
9. Ocean Beach Park Apts. Section 8 Rental	85				85
10. Holloway Terrace Condos/Non profit		13	25	4	42
11. Amancio Erginia Village SFRA Coop	24	24	24		72
12. 422 O'Farrell Towers Elderly Rental	101				101
13. 1055 Fillmore SFRA Elderly Rental	101				101
14. 2045 Sutter St. SFRA Elderly Rental	51				51

	Very Low (50%)	Low (80%)	Mod (120%)	Market Rate (120+%)	TOTAL
15. Clementina Apts. SFRA Elderly Rental	91				91
16. Woolf House II SFRA Elderly Rental	70				70
17. Mei Lun Yuen SFRA Elderly Rental	152				152
18. Kimochi Home 1531 Sutter, Elderly Rental SFRA	20				20
19. Enville, Gough & Golden Gate SFRA Condos			12	39	51
20. Northridge Coop SFRA Coop	90	211			301
21. Bass Court SFRA - Single Family				23	23
22. Innes-Expand Homes SFRA Single family		16			16
23. Silverview Terrace Single Family			12	20	32
24. St. Francis Place SFRA Private Rental		81		330	411
25. 2000 Post (Winterland) Private Rental		61		243	304
26. 440 Turk St. SFHA Elderly Rental	89				89
27. Monterey Blvd. (Density Bonus)			12		12
28. 16th & Valencia (Density Bonus)	8		12		20
29. Ocean Ave. & Keystone (Density Bonus)			33		33
30. Mission & Murray (Density Bonus)			4	16	20

	Very Low (50%)	Low (80%)	Mod (120%)	Market Rate (120+%)	TOTAL
31. Fellowship Manor 1201 Golden Gate Ave. SFRA elderly Rental	106				106
32. Casa de Vida 5157 Diamond Heights SFRA Handicapped		21			21
33. 1427 & 1461 Innes Ave. SFRA - Single Family		2			2
34. Mendelsohn House Folsom & Mabini Sts. SFRA Elderly Rental	191				191
35. Bayside Village *** 580 Beale Str., SFRA Rental		102	125	284	511 *
36. South Beach Marine Apts. 2 Townsend Str. SFRA Rental		40	40	109	189 *
TOTAL	1,463	665	483	1,068	3,679
Percent	40%	18%	13%	29%	100%
TOTAL NEW CONSTRUCTION CITYWIDE	1,463	665	483	8,419	11,030
Percent	13%	6%	4%**	77%	100%

* Partial completion

** This does not include market rate projects that were affordable to moderate income households

*** Estimates 20% low income and 30% moderate income units completed

SAN FRANCISCO
HOUSING UNITS UNDER CONSTRUCTION
By S.F. Redevelopment, Non Profits, and other projects
with Affordable Housing

February 1989

SPONSOR/ PROJECT	Very Low (50%)	Low (80%)	Moderate (120%)	Market Rate (120+%)	Total No. of units
<u>SAN FRANCISCO REDEVELOPMENT</u>					
<u>AGENCY</u>					
Yerba Buena Center					
1. 300 Third St. & Folsom				233	233
Western Addition A-1					
1. Cathedral Hill Plaza		31		125	156
Western Art Addition A-2					
1. Fillmore Center		223		890	1113
2. Serra House	25				25
3. The Amelia II				14	14
4. Buchanan/Bush				18	18
5. Jack Robbins				5	5
6. Elizabeth Terrace				15	15
7. B. I. G. Condos				11	11
Hunters Point					
1. Morgan Heights			63		63
3. Primus				1	1
4. Mendell Terrace				10	10
Rincon Point/South Beach					
1. Rincon Center		64	64	192	320
2. Bayside Village		72	292		364 **
3. South Beach Marina Apts		43	91	91	225 **
4. Delancy St.	150	9	18		177
Other:*					
1. Coleridge Park (Bernal Heights)	22	27			49
2. Maria Alicia (Mission MHDC)		16		4	20
Subtotal	197	485	528	1,609	2,819
Percent	7%	17%	19%	17%	100%

*Outside of Redevelopment Project Areas

**Part of this project was accounted complete in 88.

SPONSOR/ PROJECT	Very Low (80%)	Low (120%)	Moderate (120+%)	Market Rate units	TOTAL No. of
<u>Other projects with an affordability component</u>					
1. Metro Place 737 Post St. (Private Rental)		84		171	255
2. Potrero Court 23rd St. (Private Rental)		28		110	138
3. 483 Valencia (Non Profit Family Rental)	8			12	20
4. 2155 Mission (Non Profit Family Rental)	47				47
5. 926 Fillmore (Non Profit)	25				
Subtotal	80	112		293	485
Percent	16.5%	23.1%		60.4%	100%

TOTAL HOUSING UNITS UNDER CONSTRUCTION
WITH AN AFFORDABILITY COMPONENT.

TOTAL	277	597	528	1,902	3,304
Percent	8.4%	18%	16%	57.6%	100%

ROH:188/

FINDINGS:

- New construction has averaged about 1,225 units per year since 1980 for a total of 11,000 units.
- New construction will meet about 85% of San Francisco's estimated housing need of 14,800 units from 1980 to 1990.
- According to ABAG, San Francisco's housing supply has increased by about 16,100 units since 1980. This increase surpassed the 14,800 housing need estimate for this period. This increase is higher than our new construction total because it accounts for increases in the available housing supply resulting from rehabilitation activity.
- One third (3,682) of the new units (11,000) constructed were in San Francisco Redevelopment areas.
- About 13% (15,000) of the new units have been constructed by non-profit community housing organizations. A number of these projects were located in San Francisco Redevelopment areas.
- The ABAG projected annual housing needs have doubled from 1,600 units per year from 1980 to 1990 to 3,200 units per year from 1990 to 1995.
- Of all the projects constructed since 1980, only 36 projects contained a housing affordability component. Those projects contained 2,611 units which were specifically for very low, low, and moderate income households. That is 23% of the 11,000 units constructed since 1980.
- Very low income housing projects accounted for a majority (52%) of the 2,611 "affordable" units; 25% were low income units; and 18% were moderate income units. Most of the very low income projects were for rental elderly households benefitting from Section 8 or other major housing subsidies. Moderate income housing projects were primarily for first time home ownership households.
- The City's 23% affordable housing production fall short of the Residence Element's 60% affordable housing need. However if we add units rehabilitated for lower income households (about 4,000 units) the affordable housing production percentage will increase from 23% to 40%. Otherwised stated, San Francisco has met about 60% of its housing need for low and moderate income households.
- The majority of the affordable housing units produced were for very low income households. This category accounted for 13% (1,463 units) of total new construction. This level of production meets the City's Residence Element 13% need for very low income households but not ABAGS higher 30% need.
- Our records indicate that only 4% of the new housing is for moderate income households. This level of affordability falls short of the 20% to 32% moderate income need in the Residence Element. However, this analysis does not add market rate units which were affordable to moderate income households. We do not have the data to estimate what percentage of the market rate units were moderate income units.

SUMMARY OF CURRENT AFFORDABILITY RESTRICTIONS

RENTAL HOUSING

PROGRAM	PROGRAM DESC.	INCOME LIMITS	TERM	MONITORING
1. MAYOR'S OFFICE OF HOUSING PROGRAMS				
a. CDBG Site Acquisition Program	Grants for Site or Bldg. purchase (non-profit owners only) (usually 10-20K/unit)	at least 51% of units for HH at 80% of median (Rents 30% of HH income)	11 years	Depends on other subsidy involved.
b. Community Housing Rehab. Loan Program (CDBG)	Deferred loans to non-profits for multifamily projects (max of 15K/unit)	61% of tenants must be at 80% or less of median Rent schedule devised by project. Annual increase of 4%.	10 yrs.	Annual mailing to check rent levels
c. Rental Rehab. Program	Matching grants to rental prop. owners. No rent increase limits. (grant of 5-8.5K/unit)	61% of tenants at 80% of median or less	10 years.	None
d. Office-Affordable Housing Production Program	Grants or investments from office developers meeting housing mitigation req. (15K/unit grant/loan)	62% of tenants at 80% of median Rents 30% of HH income	20 years	Annual mailing to check rent and HH size.
2. OTHER PROGRAMS				
a. Hotel Tax Fund	Grants for site or bldg. purchase or const. costs. Elderly or handicapped projects only. Non-profit (10-25k/unit)	100% of tenants must be 80% of median or less	40 years	Annual mailing to check rents

OWNERSHIP HOUSING

1. Mayor's Office of Housing Programs

a. First-Time Homebuyer Program	Provides land write-down on surplus city land, or financial asst. (20-50K/unit asst)	30% of HH at 80% of median. 30% at 120% of med. First-time buyers only	goal of 20 years	Annual mailing to check owner occ.
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Version 1 of Aff. Controls: Prom. note secured by deed of trust.
Buyer to repay principal plus lesser of 6% int. or 20% of net appreciation. (no restriction on sale price) MOH has right of 1st refusal

Version 2 of Aff. Controls: Prom. note secured by deed of trust.
Buyers to repay principal, plus share of appreciation. Share of apprec. is roughly "city share of cost plus 15%" so if city assistance is \$40,000 and total cost is \$120,000, then city share is 33%, and buyer would repay \$40,000 plus 33+15 or 50% of apprec. on sale.
MOH has right of 1st refusal

b. Community Housing Rehab. Program	Deferred loans to low-inc. homeowners. in targeted neighborhoods. Loans are made to seniors & disabled citywide. Terms: 3% deferred. (5-15K/unit)	Income of 80% of median or less.	10 years or due on sale	Annual mailing for owner-occ.
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2. Other Programs

a. SF Redevelopment Agency First Time Buyer Program	Land write-down or cash assistance.	1st Time Buyers at 120% of med.	30 Years	Annual mailing for owner-occ.
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Aff. Mechanism: Note secured by deed of trust for subsidy. Agency have right of 1st refusal. Sales price is restricted to lesser of market price or % increase in area median income per year.

b. City of Palo Alto Below-Market Housing Program	Units provided by housing developers to meet City's 10% inclusionary zoning req.	1st time Buyers up to 120% of med.	30 Years	Check for owner-occ.
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Aff. Mechanism: Deed restriction and right of first refusal giving Palo Alto Housing Corp. right to buy at below-market purchase price plus 80% of housing CPI increase per year.

AFFORDABLE HOUSING DEVELOPMENT COSTS

Project:	Coleridge Park Homes	Junipero Serra House	Poly High Housing
No. of Units	49	25	114
Type of Units	2 studio 43 1-bdrm. 4 2-bdrm.	7 studio 17 1-bdrm.	16 1-bdrm. 26 2-bdrm. 44 3-bdrm. 28 4-bdrm.
Const. Type	Wood Frame on concrete (air rights)	Wood frame over excav. parking	Wood frame Parking on grade
Dwelling Units Per Acre	44.2	87.8	44.1
Parking Spaces	23	13	188
Occupancy	Elderly-Rental 40% @ 50% med.income 60% @ 60% med.income	Phy-handicapped-Rental 100% @ 50% med.income	Family-Ownership 30% @ 80% med.income 70% @ 120% med.income
Const. Start Date	July 1988	May 1988	Sept. 88
Hard Costs:			
Total:	\$2,959,152	\$1,983,271	\$9,523,000
Per unit:	60,391	79,331	83,535
Per. Sq.Ft.	77.87	76.52	90.17
Soft Costs:			
Total:	\$ 852,000	\$ 414,198	\$2,017,000
Per unit:	17,388	16,568	17,693
Per Sq.Ft.	22.42	15.98	19.10
<u>Subsidies:</u>			
HODAG	\$1,449,792	Hotel Tax	\$ 515,286
City HAF	80,000	Sec. 202	1,455,100
CDBG	1,233,998	Private	7,276
		SFRA	290,000
		City HAF	\$1,000,000
		City Land	2,500,000
		Mort.Asst.	1,400,000
		Tax-exmp. MRB	(7.5%)
			(9.8%)
<u>COMMENTS:</u>			
	Built on air rights over Standard Brands store. Foundation cost included as land cost, not in hard costs (Costs excluded approx. \$800,000)	Includes partially excavated underground parking.	Demolition costs not included in hard costs. (Demolition cost excluded \$1,200,000)

AFFORDABLE HOUSING DEVELOPMENT COSTS
(Continued)

Project:	Maria Alica Apartments	Mission Capp Apartments	Pineview Housing
No. of Units	20	47	70
Type of units	1 1-bedroom 2 2-bedroom 11 3-bedroom 6 4-bedroom	18 1-bedroom 19 2-bedroom 10 3-bedroom	64 studios 6 1-bedroom
Const. Type	Wood frame over excav. parking	Light metal	Concrete
Dwelling Units Per Acre	91.6	166	286
Parking Spaces	29	30	14
Occupancy	Family-Rental 40% @ 50% med.income 60% @ 60% med.income	Family-Rental 100% @ 60% med.income	Elderly-Rental 100% @ 50% med.income
Const. Start Date	Jan. 88	Spring 89	Spring 89
Hard Costs:			
Total:	\$2,355,256	\$4,530,000	\$4,280,426
Per unit:	117,763	96,383	61,149
Per Sq.Ft.	100.26	78.20	116.63
Soft Costs:			
Total:	\$ 642,737	\$1,136,248	\$1,290,625
Per unit:	32,137	24,175	18,438
Per Sq.Ft.	27.36	19.62	35.17

Subsidies:

HODAG	\$1,377,690	City HAF \$ 1,000,000	CDBG	\$ 66,000
CDBG	832,499		CA Dept. of Aging	250,000
			Private Fundraising	1,194,000
			Sec. 202	3,637,200

COMMENTS:

Project includes commercial space, but cost of commercial has not been included in hard cost, underground parking.

Budget is estimated. Project not underway.

Budget is estimated. Built on air rights over highway. Hard costs exclude foundation & platform costs (cost excluded approx. \$1 million).

AFFORDABLE HOUSING DEVELOPMENT COSTS

(Continued)

Project:	Mendelsohn House	College Park
No. of Units	189	130
Type of Units	97 Studio 92 1-bedroom	All 2-bdrm.
Const. Type	Concrete	Wood frame
Dwelling Units Per Acre	236	72
Parking Spaces	19	
Occupancy:	Elderly-Rental 100% @ 50% med.income	Family-Rental 20% @ 80% med.income 80% market
Const. Start Date	April 1987	June 1985
Hard Costs:		
Total:	\$14,931,067	\$ 7,445,300
Per unit:	79,000	57,272
Per. Sq.Ft.	97.85	
Soft Costs:		
Total:	\$ 1,204,419	\$1,773,750
Per unit:	6,372	13,644
Per Sq.Ft.	7.89	
<u>Subsidies:</u>	Hotel Tax \$13,601,486 HODAG 2,537,000	OHPP \$ 430,000 MF Bonds 7,480,000 (10.04%)
<u>COMMENTS:</u>		Completed July 1987

AFFORDABLE HOUSING DEVELOPMENT COSTS

(Continued)

Project:	2000 Post (Winterland)	Dorothy Day
No. of Units	304	100
Const. Type	Wood frame	Concrete
Dwelling Units Per Acre	152	190
Parking Spaces		11
Occupancy:	Family/singles 20% @ 80% med.income 80% market	Elderly-Rental 100% @ 50% med.income
Const. Start Date	June 1985	Nov. 1984
Hard Costs:		
Total:	\$17,372,000	\$ 5,947,216
Per unit:	57,148	59,472
Per. Sq.Ft.		79.33
Soft Costs:		
Total:	\$ 9,880,023	\$ 992,362
Per unit:	32,500	9,923
Per Sq.Ft.		13.23
<u>Subsidies:</u>		
MF Bonds		CDBG \$ 317,947
Low Floater 7.6%		Sec.202 \$ 6,342,300
<u>COMMENTS:</u>	Completed mid-1987	Completed early 1986

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JANUARY - JUNE 1988
SAN FRANCISCO APARTMENT BUILDING SALES

RICHMOND AND SUNSET DISTRICT

ADDRESS	UNITS	PRICE	PRICE/ UNIT	PRICE/ SQ. FT.
815 25TH AVENUE	12	\$875,000	\$72,916	\$85.91
230 12TH AVENUE	13	\$1,420,000	\$94,666	\$117.51
85 HEATHER AVENUE	12	\$1,100,000	\$91,666	\$113.66
4328 GEARY STREET	11	\$625,000	\$56,818	\$115.73
2011 CLEMENT STREET	10	\$750,000	\$75,000	\$125.42
201 11TH AVENUE	12	\$1,310,000	\$109,166	\$121.91
1550 9TH AVENUE	12	\$740,000	\$61,666	\$109.23
1391 8th AVENUE	18	\$1,550,000	\$86,111	\$120.12

MISSION DISTRICT

1750 MISSION STREET	25	\$955,000	\$38,200	\$84.27
3351 18TH STREET	18	\$790,000	\$43,888	\$79.32
3521 18TH STREET	10	\$450,000	\$45,000	\$75.96
368 5TH STREET	12	\$433,500	\$36,125	\$44.19
87 DOLORES STREET	30	\$2,200,000	\$73,333	\$95.55

MARINA DISTRICT

760 NORTH POINT STREET	14	\$855,000	\$61,071	\$114.00
3301 BRODERICK STREET	12	\$1,603,000	\$133,583	\$140.80
3250 VALLEJO STREET	11	\$1,012,500	\$92,045	\$138.04
4124 OCTAVIA STREET	13	\$1,195,000	\$99,583	\$134.71
970 CHESTNUT STREET	18	\$1,930,000	\$107,222	\$117.47
2120 LARKIN STREET	18	\$1,725,000	\$95,833	\$119.17

PACIFIC HEIGHTS

2351 JACKSON STREET	10	\$685,000	\$68,500	\$113.13
2927 SACRAMENTO STREET	12	\$964,000	\$80,333	\$99.18
2266 WASHINGTON STREET	11	\$1,350,000	\$122,727	\$126.70
2590 SACRAMENTO STREET	14	\$1,679,500	\$119,928	\$133.01
2852 CALIFORNIA STREET	15	\$1,140,000	\$76,000	\$80.57
2360 PACIFIC AVENUE	21	\$3,500,000	\$166,666	\$97.10
1660 SACRAMENTO STREET	12	\$1,060,000	\$88,333	\$103.17

DOWNTOWN SAN FRANCISCO, NOB HILL AND THE TENDERLOIN

831 LEAVENWORTH STREET	19	\$890,000	\$46,842	\$64.77
1136 SUTTER STREET	49	\$2,935,982	\$59,918	\$79.21
845 PINE STREET	18	\$2,200,000	\$122,222	\$108.56
700 TAYLOR STREET	22	\$1,300,000	\$59,090	\$125.77
429 BUSH STREET	26	\$1,500,000	\$57,692	\$87.29
1020 POST STREET	42	\$1,423,000	\$33,880	\$57.24
790 CALIFORNIA STREET	28	\$1,550,000	\$55,357	\$103.17
146 McALLISTER STREET	114	\$3,500,000	\$30,701	\$50.17
920 VAN NESS AVENUE	22	\$1,541,000	\$70,045	\$121.00
248 FILLMORE STREET	31	\$1,880,000	\$60,645	\$79.32
926 LARKIN STREET	11	\$577,000	\$52,454	\$126.73
925 GEARY STREET	39	\$1,900,000	\$48,717	\$80.85
1345 TAYLOR STREET	33	\$2,600,000	\$78,787	\$181.69
650 ELLIS STREET	30	\$1,325,000	\$44,166	\$97.48
424 JONES STREET	41	\$1,550,168	\$37,808	\$69.02
1030 POLK STREET	41	\$2,710,000	\$66,097	\$71.91
801 O'FARRELL STREET	44	\$1,820,000	\$41,363	\$92.62
820 O'FARRELL STREET	54	\$1,750,000	\$32,407	\$57.41
901 POWELL STREET	22	\$3,500,000	\$159,090	\$163.47
621 TAYLOR STREET	48	\$1,860,000	\$38,750	\$122.17
837 GEARY STREET	41	\$2,500,000	\$60,975	\$81.46
222 LEAVENWORTH STREET	36	\$1,025,000	\$28,472	\$51.15
347 EDDY STREET	41	\$1,400,000	\$34,146	\$57.03
250 PAGE STREET	20	\$980,000	\$49,000	\$79.67

WESTERN ADDITION AND HAYES VALLEY

100 BRODERICK STREET	35	\$2,363,500	\$67,528	\$87.54
830 HAYES STREET	24	\$1,150,000	\$47,916	\$63.30
1808 FULTON STREET	12	\$780,000	\$65,000	\$100.00
479 STEINER STREET	14	\$820,000	\$58,572	\$96.70
998 DIVISADERO STREET	21	\$1,267,000	\$60,333	\$97.33
1743 GOLDEN GATE	12	\$700,000	\$58,333	\$72.53
600 FELL STREET	50	\$2,350,000	\$47,000	\$63.01

TWIN PEAKS AND NOE VALLEY

850 BURNETT	11	\$1,040,000	\$94,545	\$109.86
4220 ARMY STREET	38	\$3,015,000	\$79,342	\$85.90

RESIDENTIAL DENSITIES

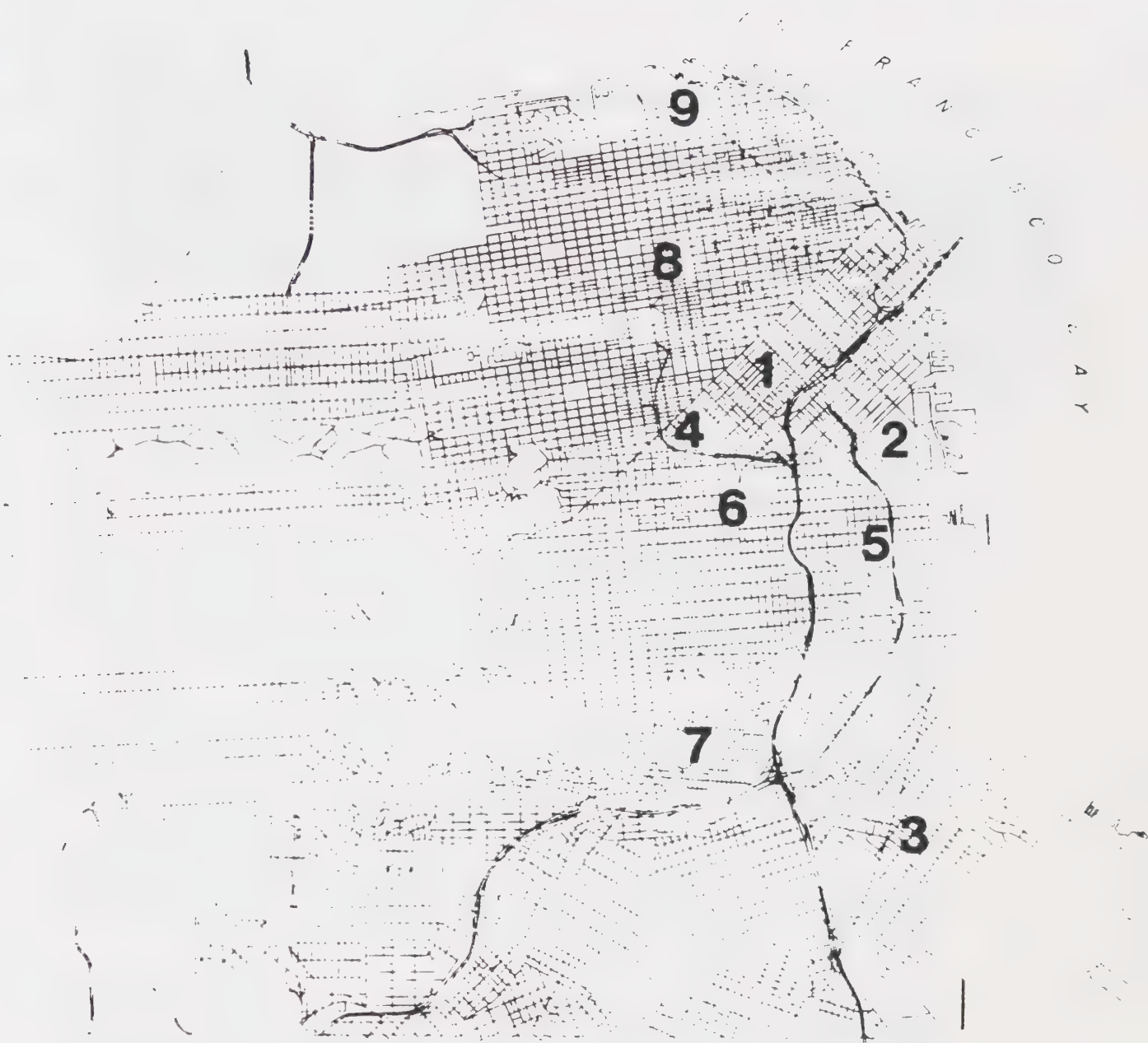
DISTRICT	BASIC UNIT/LOT AREA 1.	NO. OF UNITS ON 25' LOT	BASIC D.U./ACRE 2.	P.U.D. D.U./ACRE 2./3.	P.U.D. PERCENTAGE INCREASE 3.
RH-1D	1:4000	-----	10.9	----	-----
RH-1	1:3000	1:2500	14.5-17.9	28-33.8	99%
RH-1S	1:1500	1:1250	29-34.8	28-33.8	-0-
RH-2	1:1500	1:1250	29-34.8	42.6-51.3	47%
RH-3	1:1000	1:833	43.6-52.3	53	21.5%
RM-1	1:800	1:800	54.5	71.6	31.3%
RM-2	1:600	1:600	72.6	107.9	48.6%
RM-3	1:400	1:400	108.9	216.8	99%
RM-4	1:200	1:200	217.8	347.5	50%
RC-1	1:800	1:800	54.5	71.6	31.3%
RC-2	1:600	1:600	72.6	107.9	48.6%
RC-3	1:400	1:400	108.9	216.8	99%
RC-4	1:200	1:200	217.8	347.5	60%
RC-5	1:125	1:125	348.5	348.5	-0-

NOTES: (1) The basic density in RH districts for multiple dwellings is allowed on larger parcels by conditional use only. If the parcel is a minimum 25 x 100 lot, the number of units allowable per lot exceeds the basic density, and does not require conditional use approval. This provision indirectly encourages the subdivision of larger parcels into 2500 sq. ft. lots where access is possible.

(2) The range in D.U.'s per acre indicates the difference between calculations based on the density achievable on 2500 sq.ft. lots.

(3) A P.U.D. allows for building up to the next highest zoning district minus one unit.

TJ:ms
02.15.89
DENSITY.TJ/HOUSING COMM.



**PENDING AREA PLANS
WITH POTENTIAL HOUSING SITES**

- 1 South of Market Rezoning**
- 2 Mission Bay**
- 3 South Bayshore**
- 4 South Van Ness**
- 5 Central Waterfront / Lower Potrero**
- 6 North Mission**
- 7 Bernal Heights**
- 8 Van Ness Corridor**
- 9 Northern Waterfront**

II. PENDING LOCAL AREA PLANS AND REZONING STUDIES WITH HOUSING COMPONENTS

The following is a brief summary of Planning Department work on local area plans within the Master Plans. Most of the planning studies are in the southeast part of the City and involve rezoning proposals protecting existing housing and selectively encouraging new residential development. In addition, the almost completed Van Ness Plan rezoning creates a very strong housing development incentive by linking required housing to new commercial space.

A. South East Part of the City

1. South of Market Rezoning. Permanent controls pending Board of Supervisors action to be completed by November of 1989. The interim controls established Housing and Conservation Districts which preserve existing affordable housing and encourage live work space and the development of new, affordable housing.
2. Mission Bay Development Proposal. The Department of City Planning is negotiating a Development Agreement with Santa Fe Pacific and reviewing responses to the draft EIR. This is a mixed use housing and commercial development proposal which includes 8,000 to 10,000 housing units, with 30% of the units for low and moderate income households.
3. South Bayshore Plan. A conservation and community development plan has been prepared for citizen review. This report identifies residential homeownership conservation districts and underutilized sites where infill housing and major new affordable housing development can take place. It is estimated that approximately _____ units could be built in the district without displacing existing commercial or residential uses. A implementation program will be developed in conjunction with San Francisco Redevelopment Agency and the Major's Office of Housing and Community Development.
4. South Van Ness. Preliminary studies here indicate about 10 acres of open parking or other underdeveloped sites. With appropriate zoning and neighborhood improvements, there is a considerable opportunity for new mixed use housing developments sensitive to preservation of the existing 500 units in the area. Interim controls are under study by the Department.
5. Central Waterfront Plan. A new study is being initiated in the Central Waterfront and lower Potrero Hill areas. This study will examine potential housing opportunity areas and develop controls to preserve existing affordable housing. The study area is between the Mission Bay and the South Bayshore Study areas.
6. North Mission Industrial Rezoning. This study is in its initial stage of data gathering. It will focus on existing industrial uses but will examine the areas housing potential and preservation of existing live work artist units.
7. Bernal Heights. Redevelopment Agency and Planning Department staff are working on developing a street infrastructure improvement program which would facilitate the development of existing infill vacant lots.

B. Other Areas

1. Van Ness Corridor. This planning project is near completion with the adoption of new permanent zoning controls which would preserve existing housing and encourage the production of housing above commercial at a ratio of 3 square feet of housing to 1 square foot of non residential development.
2. Northern Waterfront/Fishermans Wharf. A planning study is underway in this area in coordination with San Francisco Redevelopment Agency. The Kirkland Muni bus yard is a housing opportunity site identified in this area. The process for rezoning this site for 300 units has been initiated.

III. HOUSING PROGRAMS CONTAINED IN THE ZONING ORDINANCE (PLANNING CODE)
AND SUBDIVISION ORDINANCE

The previous two sections discussed policies of the master plan as the basis for housing activities. The following discussion covers legislation enacted by the Board of Supervisors which is intended in part to carry out master plan policies. Most of these provisions cover new construction but the secondary unit, condo conversion inclusionary requirements, and regulations of conversions involve existing housing.

A. Affordable Housing Special Use Districts - grant of extra density though conditional use authorization to promote development of affordable housing

1. Planning Code (PC) 249.7 - 16th & Valencia

25% density bonus for 25% of units moderate or 10% low

Expired Oct. 1, 1988

Rental units under construction/MHDC

2. PC 249E - Mission/Murray

1 dwelling unit per 600 sq. ft. (RM-2) bonus for 25% of units moderate or 10% low

Expired Oct. 1, 1986

Rental units completed/private developer

3. PC 243 - Ocean Avenue Affordable Housing Special Use District

1 dwelling unit per 400 sq. ft. (RM-3) bonus for use of single family mortgage revenue bonds

Expired Oct. 1, 1985

Condos completed/Taldan

4. PC 244 - Monterrey Blvd Affordable Housing Special Use District

1 dwelling unit per 600 sq. ft (RM-2) bonus for use of single family mortgage revenue bond

Expired October 1, 1985

Condos completed/Taldan

Note: All projects were constructed in Neighborhood Commercial (NC) districts and involved commercial components. New legislation is pending to make density bonuses available on a general basis rather than through specific individual rezoning procedures.

B. Extra Density for Seniors/Handicapped Housing

1. PC 209.1 (m) - Up to double the permitted density for dwellings specifically designed for occupancy by seniors/handicapped

Legality issue - problem with restriction to elderly only for projects less than 125 units, but most SF projects smaller.

Note: As above, all projects have been constructed in NC districts.

C. Height Exceptions for Affordable Housing

1. PC 263.12 - Chinatown - portion of Residential Neighborhood Commercial District along Stockton Street

- 1 Up to 85 feet in 65 foot district for 25% moderate or 10% low for 30 years

2. PC 263.11 - Mid Market Interim Controls

Up to 120 feet in 90 foot district if units affordable to households with 150% of SF median income for 20 years

3. PC 263.11 - South of Market - pending permanent controls

Up to 85 feet in a 40 foot district vicinity of Folsom between 4th and 6th for affordable units to be determined on case by case basis

Note: no units yet constructed under these provisions; enforcement difficult if privately financed.

D. Linkage Programs - Residential Requirements for Commercial/Office Space

1. PC 313 - Office Affordable Housing Production Program

Fee or construction of units applied to office projects 50,000 square feet or larger; formula: net additional gross square feet of office times .000386 = housing units required

1988 fee alternative is \$5.69 per square foot

Note: About \$30 million in fees collected since inception of requirement in 1981. Administered through Mayor's Office of Housing.

2. PC 243 (c) (7) (B) - Residential Requirements in Van Ness Area - pending amendments to permanent controls as directed by Board of Supervisors

Commercial development is tied to residential development - 1 square foot of commercial permitted for each 3 sq. ft. of residential

Fee of \$15 per square foot permitted for up to 1/2 of required residential space to be applied to affordable housing

Density of residential not limited up to permitted height and FAR - 7:1 in 130 ft. height district or 4.8 in 80 ft. height district

Note: 800 potential residential units pending in Van Ness area

E. Contribution to Affordable Housing Fund

1. PC 263.7 North of Market Affordable Housing Fund. Height of 120 or 130 feet in 80 foot district with payment of \$5 per square foot for additional (market rate) square footage.

F. Excepting Residential Space from Floor Area Ratio Limits*

1. PC 124 (b) Chinatown Mixed Use Districts - Housing not counted in Floor Area Ratio limits up to height envelopes. Commercial space limited to two or fewer floors but heights range from 50 to 65 feet.
2. PC 124 (b) Neighborhood Commercial Districts - Housing not counted in Floor Area Ratios up to height envelopes.
3. PC 124 (f) Downtown C-3-G and C-3-S Districts - Housing for households with 150% of SF median income for 20 years not counted in Floor Area Ratios up to height envelope.

(Floor area ratios regulate the square footage of a building in relation to the square footage of the site)

G. Inclusionary Provisions of Subdivision Code

1. SC 1341 - Requirement for 10% moderate income dropped for condo conversions while conversions limited to 200 units annually and owner occupants.

Note: Condo conversion limit expires at end of 1989 and this provision needs reexamination.

2. SC 1341 - Requirement for 10% moderate income for projects of 50 or more units subject to finding by Planning Dept. that government subsidies are available.

H. Regulation of Secondary Units

1. PC 207.2/209.1 m Secondary units permitted in RH 1 (S) districts (four in city) RH - 2 and RH - 3 districts. Secondary units occupied by senior citizens or physically handicapped persons permitted in RH 1 (D) and RH - 1 single family district.

I. Restrictions on Conversions of Residential Units

1. PC 710-781 - Various Neighborhood Commercial Districts: conversions permitted at ground floor, require conditional use for upper floor or in some districts conversions not permitted
2. PC misc - Other controls on conversions in Downtown, Chinatown, South of Market
3. PC 401 - interim control now expired - required conditional use approval for conversions in Industrial (M) and Commercial (C) districts.

IV. PROCESSING APPLICATIONS - OPPORTUNITIES AND IMPEDIMENTS - AN EXPANDING PUBLIC REVIEW PROCESS - ATTEMPTS TO DO BETTER TRACKING AND PUBLIC SERVICE

This discussion covers what the Planning Department does at a project review level. Recent trend in all forms of applications has been more disclosure to the public/neighbors and more participation and involvement in review by the public and neighbors. The Board has enacted large scale posting requirements for both building permits and commission hearings which apply to residential projects. In the recent Neighborhood Conservation Interim Controls there are extensive pre application notification procedures. Methods of resolution neighborhood concerns on issues such as scale and parking are still evolving.

The following are major elements in departmental (and public) review for residential projects.

- A. PC 253 - Conditional Use public hearing for all residential projects over 40 feet in residential (R) districts.
- B. SF Admin Code 31 - Environmental Review for all residential projects over 3 single family units or more than six apartment units in a structure.
- C. Sec. 7.500 City Charter - Building permit plan check against zoning regulations for new construction/major alterations. Although not directly required by the Charter, Design Guidelines are now used as review standards for most residential projects.
- D. PC 304 Planned Unit Development (a form of conditional use application) available for flexible site planning on sites larger than 1/2 acre.
- E. Discretionary review (public hearing and review by Planning Commission) on residential/new construction/alterations building permits may be requested by neighborhood groups, adjacent residents. Large increase in volume of such requests 1987 and 1988. Revised residential design guidelines are being prepared by the department with considerable involvement by AIA who are also proposing some form of architecture review service for the Department.

Other activities by both the Planning and Public Works Department have begun to address needs for more efficient handling of permits and requests for information.

- A. Building Permit Tracking System - computerized tracking has been evolving; more equipment is being added; capacity to do file transfer between departments to be improved.
- B. Central information and service counter - City Planning and Bureau of Building Inspection. Creation of a central counter and relocation of city planning plan check operations is planned within the next 18 months to 2 years.
- C. Improved Zoning Counter - In the interim, more permanent staff is being assigned to the counter and further standard informational materials are being developed.

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